

**THE ECONOMIC IRRATIONALITY AND THE IMPACT ON THE ELEMENTS OF AN  
OPTIMAL CHOICE OF FUNDRAISING TECHNIQUES FOR NON-PROFIT  
ORGANIZATIONS: A CASE STUDY OF CANADA**

**Tieu, Ngoc Diem Quynh – Felix**

International Business

Bachelor's Thesis

Supervisor: Dr. Marta Zieba

Aalto University

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According to the rational choice theory, the donor decision-making process is intended to be optimization-based, in which a person determines and selects where and how much money they will give away depending on some consistent and rational criteria. Nevertheless, much research has pointed out that during the donation process, monetary donors do not carry that rationality with them all the time. The motivations for giving are still often biased and affected by certain underlying determinants and elements of fundraising techniques. In other words, the choice of a donor is rarely only black and white, but usually involves some shades of gray. If the personnel in charge of fundraising positions in nonprofit organizations can understand and fully utilize that fact, they can have a more guaranteed success in their fundraising campaigns. Specifically, by using empirical data from Canada, this paper aims to address those following questions: (1) Which internal and external determinants make a person more willing to give, and how do those factors also affect the amount of money contributed? If yes, to what extent? (2) How can nonprofit organizations utilize the irrationality of donors to ameliorate their fundraising campaigns?

**Key words:** *irrationality, behavioral economics, non-profit organization, monetary donation, anchoring effect, demographic factor, nudge theory, Canada*

**Language:** English

**Grade:**

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## 1. Introduction

Much of the research in the field of philanthropy have an extensive usage of rational choice models to clarify motivations for donating. According to the rational choice theory, the donor decision-making process is intended to be optimization-based, in which a person determines and selects where and how much money they will give away depending on rational criteria, namely the belief in trust and fairness (Halfpenny, 1999; Brassfield, 2009; Lee and Brudney, 2009; Lee and Jeffrey, 2009; Bostedt and Brännlund, 2012). Much literature over the past decades, nevertheless, highlights that during the donation process, monetary donors do not carry that rationality with them all the time. The motivations for giving are still often biased and affected by certain underlying determinants (Ariely et al., 2009; Iyer et al., 2012), which could come from intrinsic sources, for instance: income, education attainment, gender, empathy (Braus, 1994; Kottasz, 2004; Mesch et al., 2006; Lee and Chang, 2007a, 2007b; Einolf, 2011; Christov-Moore et al., 2014; Gleasure and Feller, 2016) or originate from the extrinsic living context of a donor such as government expenditure, the output level of society (Nath and Sobhee, 2007), domestic politics (Tingley, 2010), and the state ideology (Brecha and Potrafke, 2014). In fact, a donor choice, in general, is rarely only black or white, but also involves some shades of gray. If the personnel in charge of fundraising positions in non-governmental organizations can understand and fully utilize that fact, they can have more guaranteed success in their fundraising campaigns.

Additionally, though donor behavior is not a new discipline, as a considerable quantity of academic research was already conducted and published in this field, the majority of them just expresses views either from the donor side (Braus, 1994; Christov-Moore et al., 2014; Gleasure and Feller, 2016) or from the nonprofit organization side (Sloan, 2009; Nath and Sobhee, 2012; Kinsbergen and Tolsma, 2013). Papers with a holistic view which can incorporate and connect the findings of those two approaches are still very rare to find. Thus, with the aim of analyzing irrational underlying factors and the impact of them on the donation decisions of donors and/or the amount of money donated (a contributor's view), as well as examining the most significant elements of effective fundraising techniques for

each kind of nonprofit organization based on its size and cause (an organization's view), this research hopes to be one of the papers building a bridge to tackle that gap and guide non-profit organizations (NPOs) to pick the most effective fundraising mechanisms for each of them.

According to the definition, NPOs are organizations or groups which are founded and operate as businesses but with a not-for-profit making purpose, or in other words, the revenues or profits gained will always be re-used to serve social causes. As Rowe and Dato-on stated (2013), the reason for the existence of NPOs in a society is to fill the civil services gaps between the private sector and government. Namely, the theory of failures proposes NPOs create essential goods and services that are often unprofitable for business to pursue, and also overlooked by government offices because of some political reasons or underfunded due to those goods are only necessary to some individuals, such as the NPOs' benefactors, but do not fulfill the interests of society as a whole as in case of public goods (Lohmann, 1992). As Weisbrod stated (1988), NPOs exist where the free market and government's attempts fail, those organizations are one of the main social capitals helping to build and improve the social welfare. Nevertheless, at the moment, the number of scientific papers for incorporating views from economics and organizational behavior for NPOs is still in lack. NPOs, therefore, deserve more attention from the academia, and this paper also hopes to serve that aim.

Particularly, in this research, NPOs and charities in Canada would find themselves most relevant and beneficial from the findings, as the empirical data used for researching was taken from two major Canadian social surveys carried out over the past decades. Moreover, there were various reasons for me to opt Canada as the country of this study. Firstly, due to the nature of the subject of this paper: donation, there have been not many datasets, especially the ones related to donors' personal profiles and their annual contributions, available to the use of the public. Besides that, there have been some other difficulties when it comes to examining the transparency and the level of reliability of the sources. For instances, I acknowledged that the data for donation in European countries was normally fragmented and inconsistent across agencies, even in such a country, such

as it seemed like there has been a pattern when the annual donation amount reported by NPOs was often less than the amount reported by the government or watchdog institutions. However, those issues were not the cases in Canada. The data for donations in this country was just plentiful and almost collected independently by the third party – government agencies – but not NPOs themselves, so to some extent, the data can also be seen as pretty trustworthy. Additionally, Canada has low-income inequality and high standards of living (see also section 3.2.2), and Canadians seemed to be always willing to share their budget: in fact, over the past decade, more than 80 proportion of people in the country donated at least once (Statistic Canada, 2013), so I perceive the country can serve as a suitable laboratory to examine the issues of giving behaviors and NPOs' fundraising techniques.

The importance and significance of my research can be viewed from two aspects. Firstly, from the viewpoint of the academia, as already stated, at the moment, many of academic studies in the field of philanthropy just investigates issues either from the donor side or from the nonprofit organization side, and papers having a holistic view which can incorporate and connect the findings of those two approaches are still very rare to find, I hope my research can be one of the papers building a bridge to tackle that gap. Furthermore, from the perspective of business, though the main stakeholders of this research are NPOs, other forms of business and organization, such as social enterprises, joint ventures, vertical and horizontal alliances, who wish to improve the results of their fundraising campaigns can also be beneficial from the applicable outcomes of this research. As expected, charities can advance their donating programs and policies from a direct application of the findings into their fundraising projects. Additionally, from my perspective, no matter whether an entity is non-profit or for-profit, in order to survive or probably expand the operation, at some points, it might need to look for money from external sources and carry on fundraising projects. Whenever the fundraising process is involved, I believe the outcomes and suggestions of this research can help.

The upcoming literature review will first attempt to structure the debates and the evolution of rationality theories since Smith (1759), who built a foundation for it. Then, it will be



followed by an application of that irrationality from the points of view of nonprofit organizations (NPOs) by analyzing which underlying determinants are covertly influencing the willingness to donate, and they will be used as means to identify and estimate the scope and the level of the impact of the economic irrationality on the charitable donors' decision-making process. Eventually, the review will provide an outlook into general trends for an optimal choice of fundraising techniques that NPOs can utilize.

## **2. Literature Review**

### **2.1 RATIONALITY OR IRRATIONALITY?**

The rationality of human beings is always a controversial topic, and the conceptualization of it has been heavily debated over the past centuries. In the book "The Wealth of Nation", Smith (1759) believes that society is the best functioning when people are rational; think at the margin; and act to maximize personal interest. Additionally, in a more recent time, it has been proved that personal preferences or reasons play a fundamental role in determining the immensity of the rationality in any choice of a person (Dietrich and List, 2013). It is widely believed that when an individual's selecting criteria system for options could become more well-organized, the reasonability and thoughtfulness of his or her choice would, as a result, also increase. In other words, a persons' final picks are results from changes in his or her motivating reasons. Furthermore, McClennen (2013) suggests that rationality is strongly correlated with moral. When the morality level of a person increases, the likelihood that he or she would think and behave rationally also follows.

Nevertheless, not all available articles and data support such arguments. Simon (1955) opposes the idea suggested by traditional economists about an "economic man" (p. 99), who is acutely aware of his surrounding environment, has a well-arranged scheme of preferences, and is capable of doing appropriate and accurate calculations to pick the best option out of a string of alternatives. According to Simon (ibid), with the aid of the asymmetric information theory, there is no such man existed as any single person might never obtain enough information to make such perfectly rational choices, and instead, he suggests some dynamic models to investigate that rationality. In the harmony of that

ideology, Sen (1977) proposes some weaknesses of reasoning as a self-interest motive could be used as an alternative form of rationality, as being stated in the tradition economic theory. More specifically, from a perspective rooted in the angle of philosophy, Sen opposes the idea raised by Edgeworth (1881) about an ideally rational individual, particularly when that rational individual's behaviors motivated by greed and egoism. Sen suggests that when a person chooses to be driven by greed and egoism, or in other words, self-interest motives, and rejects other motivations, he or she is seen as having "declared preferences" (p.322) for self-interest purposes over other drives, including rationality. Thus, self-interests might never be seen as a substitute for rationality, and rationality cannot be viewed as an inborn trait of human beings.

Furthermore, Belsky and Golivich (1999) also state that the decision-making process of human beings is a judgmental heuristic and is defined by Shiloh et al., (2002) as an "intuitive, rapid, and automatic system" (p. 417). It is argued that as the way people make decisions is most likely to be "intuitive" and "rapid" which usually lacks necessary time and efforts required, resulting in decisions made do not always follow a rationality, leading to fallacies or bias errors in our cognitive function and awareness capacity. Smith (1991) stresses the ongoing disputes between economics and psychology by mentioning that there have been many cases in the past about when an economic approach proposes a new view, but that view, later on, is completely falsified by empirical evidence from psychological experiments. As a result, this phenomenon has raised important questions about the trustworthiness of a purely economic approach, especially in the field of behavioral sciences. Always being supported and attacked by various forms of evidence like that, means the rationality, to some extent, is still needed to be treated as a debatable concept.

### **Common Frameworks of Irrationality**

To better visualize and elaborate the blurred border between the rationality and irrationality of human beings, many types of research offered some concrete concepts and frameworks, mentioning the most common traps in thinking. In an article, Fantino et

al. (2003) highlight that the most common fallacies in a human being's decisions and behaviors are: (1) base-rate neglect, (2) conjunction fallacy, and (3) sunk-cost effect; in which the (1) suggests that if having to pick between the general and specific information, the mind tends to prioritize the former and ignores the latter, while the (2) proposes that people opt to believe a bundle of situation will be more likely to happen than a single case alone, and the (3) assuming that human beings pay more attention to the losses rather than the gains. Not only Fatino et al., but also Ariely, in a book published in 2008, attempted to explain another concept called the arbitrary coherence, or also known as the anchoring effect. That effect indicates that human beings have a tendency to anchor past behaviors as compasses and guidance for future actions, no matter whether that past activity was rational or not. Even if an activity was just done the very first time, once it was established, it will become the anchor for future ones, making the sequence of actions almost consistent later on. Judgments of people would typically be affected by any information, both deliberately and accidentally, given to them before that judgment happened. Furnham and Boo (2011) suggests that the anchoring effect is one of the most dominant types of cognitive bias which could have a wide area of impact on daily behaviors and thoughts of humans, and also has been seen as one of the fundamental contributors of a well-designed judgment strategy (Einhorn and Hogarth, 1981; Gallimore, 1994; Sawyer and Wesensten, 1994; Hastie and Dawes, 2010).

Within the scope of this paper, to test whether people rely on past donating behaviors (and/or past interactions with the organization) to estimate and decide the amount of money they will give the next time; and if yes, to what extent, this research will mainly concentrate on the definition and application of the so-called arbitrary coherence effect because of its omnipotent influence. In addition, various views and theories from sociology, psychology, marketing, and behavioral economics will also be taken into consideration, to examine that phenomenon in a broader context holistically. When examining rational choices, it would be considered as an incomplete approach if studies from those disciplines are not mentioned, as like economists, for a long time, researchers from those fields also have been amongst the first concerning with the rationality of people.

## **2.2 UNDERLYING FACTORS**

### **2.2.1 Arbitrary Coherence and Its Variant Forms**

In a research conducted in 1983, Schwarzwald et al. endorsed that within the same donor base, multiple donation requests sent over time could lead to a higher proportion of donors being willing to donate and a larger donation size. Particularly in their study, the authors observed that, when an initial request for signing a petition to form a social club and a network for disability people was followed by a second request asking for an amount of donation to that group of handicapped people, the number of individuals actively responding to the request increased over time. As once a person agreed to sign the petition, when the second request was sent out, that person would be more likely to conform to that call to maintain a consistently good self-image (De Jong, 1979). In other words, “compliance breeds compliance” (Schwarzwald et al., 1983, p. 443). However, that psychological technique just works when the following requests are not viewed as too aggressive or ambitious.

Additionally, Schwarzwald et al.’s research also challenged previous findings indicating that the foot-in-door method only grows the donor percentage but does not boost the donation size. However, in the second request, when there was a specific amount of money indicated on the donation form (40, 50, or 60 pounds), the amount of money contributed also higher compared to the forms letting donors freely determine their wished contribution amount. In fact, this finding is strongly correlated with the results of experimental studies conducted in 2008 by Ariely, suggesting that once a number, accidentally or purposefully, is communicated to the mind of an individual, it would play the role as an anchor or a benchmark for the future judgments of that person. Once an initial donating bar is set, it would serve as a barrier for people to consider, even though the anchoring price does not necessarily need to exceed the social norms as suggested by Helson (1947, 1964).

Furthermore, many other studies were also conducted to gauge the influence of the arbitrary coherence effect and its variant forms on donor decision. Frey & Meier (2004) and Heldt (2005) studied to what extent, providing prospective patrons with information about the historical donation frequency could shape their willingness to contribute. While making the payment of the tuition fee of new academic year, a group of students of University of Zurich were informed about the how much the school got in previous fundraising years and asked to continue keeping that rate by donating a fixed amount to two civil funds, while the rest were only asked for a donation and received none of the information about previous donations. Interestingly, the informed group showed much more of their generosity and willingness to donate than the non-informed group did (Frey & Meier, 2004). Similarly, when cross-country skiing-players had to decide should they contribute a certain amount of money for a track maintenance in Sweden or not, revealing information regarding the repetitiveness of historical donation, repeatedly, had a remarkable influencing power on promoting their penchant for donating. From that literature, it can be seen that charitable giving decisions and the availability of past donating information always have an interrelated relationship.

Furthermore, in a field observation organized in 2006, Martin and Randal once again proved that, the giving amount of a random donor might also be affected by the generosity in donation decisions of other donors. By putting four box of grants before an art gallery: (1) one having mainly a few banknotes with tremendous value, (2) one having several donating agreements with small value, (3) one having a lot of coins, and (4) the last one containing nothing, the authors discovered that the content inside those giving boxes acted as “a cognitive anchor” (p. 2) and strongly affected the donors’ propensity to donate as well as the amount given. Particularly, boxes (1), (2), and (3) which had a certain quantity of money inside, triggered more willingness and the generosity of donors as well as generated much higher amount of money contributed per visitor compared to that of the empty box. More interestingly, the higher the value perceived in the box is, the higher the money gained, as while all non-empty boxes had the same value inside in the beginning, the (1) box with only a few large banknotes topped up the list in the end.

Martin and Randal's study was to some extent different from the ones conducted previously (Frey and Meier, 2004; Heldt, 2005), as the information about previous donations was just impliedly communicated to prospective patrons, under the content inside four donation boxes, while Frey and Meier (2004) and Heldt (2005) explicitly let prospective donors know how much money they gained in the previous rounds of the donation campaign. However, no matter whether past contributing information was disclosed via a direct or indirect way, the outcome achieved was nearly the same. People generally would be more willing to donate if they discover that someone before them also did the same thing. This finding could be a breakthrough for NPOs in their fundraising efforts, especially via donation boxes usually placed at, for instance: airports, supermarkets, hospitals, auction events. To attract more patrons and get them donate voluntarily, NPOs might only need to put some money into their own donation box in the beginning as the decoy, then just wait for benefactors to come and fill up that box themselves.

Hence, back to the question raised at the beginning of this paper about whether initial interaction with an NPO affects the likelihood of someone donating to that organization, the answer is yes, not only for the prospective benefactors themselves, but also for the donation of other donors. The very first communications between a donor and an NPO to some extent could build a solid foundation and foster a mutual understanding for a better engagement between them and a stronger benefactor-beneficiary relationship later on. Nevertheless, that phenomenon is also a two-bladed knife which can bring about both good and bad results. As when the first impression is well conducted, the coming after interactions' results could be favorable, but in contrast, if the NPO, accidentally or not, makes a mess of first golden chances, unfavorable outcomes might be inevitable.

### **2.2.2 A Universal Donor Profile?**

Literature in the previous part outlined the underlying factors affecting the predilection for giving, and the donation size, but only from a psychological and cognitive state, and this part will concentrate in examining those underlying factors and continue to illustrate the

irrationality of donor throughout their donation journey, but this time, from socioeconomic and demographical aspects. Namely, the hidden determinants will be examined from intrinsic sources, for instance: income, education attainment, gender, empathy (Braus, 1994; Kottasz, 2004; Mesch et al., 2006; Lee and Chang, 2007a, 2007b; Einolf, 2011; Christov-Moore et al., 2014; Gleasure and Feller, 2016) and extrinsic sources in the living context of a donor such as government expenditure, the output level of society (Nath and Sobhee, 2007), domestic politics (Tingley, 2010), and government ideology (Brecha and Potrafke, 2014).

### **A. Intrinsic Factors**

Lee and Chang (2007b) predict that there was a correlation relationship between the external plus internal characteristics of a donor and the donation willingness as well as the amount of money that person will be likely to donate. They tested this hypothesis by using a large-scale survey via telephones during a three-week-period in Taiwan, and discovered that the factors affecting the time volunteered mostly comes from inside of the donor, or in other words, the motivations are largely intrinsic (psychographic and attitudinal-based factors), for instances, altruism, empathy, sense of social responsibility, and awareness of the cause(s). In contrast, the propensity of a money donation is mainly influenced by external variables (demographic and socioeconomic conditions); and among them, the educational background and the income level are the two most fundamental determinants which can be used to predict approximately the quantity of money a donor is likely to contribute. Not surprisingly, the more affluent someone becomes, the more frequent they will give, both money (in monetary donation) and time and efforts (in volunteer). Webb et al. (2000) also discovered that the amount of money donated increases when the level of education attainment raises (Garner and Wagner, 1991; Jones and Posnett, 1991). Specifically, the more well-cultured a person becomes, the more their actions having an inclination towards helping others. However, according to Hsu et al. (2005), monetary giving still seems to be the most favored one among all charitable giving practices, as unlike volunteer which, besides money, also demands time and enthusiasm, giving under the form of money is the simplest and easiest way to express our kindness; and when people have already attained a certain level of education

and income level, the opportunity cost of spending one hour to volunteer outweighs the explicit and implicit benefits gained.

Additionally, when it comes to age, younger people would be more open-hearted donors, as they are more open to new things, easier to be persuaded, and more willing to show their support for a cause. However, as that group usually do not possess much money, their donation would be usually small and inconsistent. In contrast, older groups seem to be more persistent once they have decided to follow charitable acts. Especially, some people in their 60s or 70s are even willing to say: "I want to give a million dollars to build a wing on the museum" (Braus, 1994, p. 1), as when people become older and older and already have a certain amount of saving money, and start being inclined to think more and more about doing something meaningful for society. In addition, in the same investigation, Braus (ibid) also warned that the new generations, baby boomers, have become the main factors making up the largest global labor and donor forces, and that generation has very different preferences in giving in comparison to that of previous generations. As a result, NPOs should prepare and plan in advance for adjustments in their fundraising approaches, as most of baby boomers, generally speaking, have some distrust in the authorial system and institutions, pay close attention to transparency and integrity level of NPOs, and would not let any amount of their money donated to go wasted.

The next underlying factor this paper would like to examine is gender, and gender mentioned here is defined, according to sociologists, as the self-identity and more referred to cultural and social roles rather than biological characteristics, like the sex term. Thus, if a male who is self-identified him as a woman, he would be considered as a female in this paper. Though evaluating which term would be more appropriate to use in examining donor behaviors belongs to the scope of other articles, we should keep in mind that difference to gain more accurate result from this literature review. Back to the main topic of this paper, when investigating extensively into the demographic backgrounds of both prospective and existing donors, Christov-Moore et al. (2014) discovered that, though according to social norms, females are usually stereotypically expected to be more caring and compassionate than males and as a result, would donate more, the growth of women



rights and gender equality revolutions over the past decades is slowly changing that assumption. Females have been not portrayed and anticipated to care more for social causes than males anymore. Evidence in experimental research has proposed that, females and males would be both likely to help others (Eckel and Grossman, 2008). In some countries where gender equality was promoted and supported, the distinction in donor behavior between male and female donors was pretty blurred (Winterich et al., 2009; Einolf, 2011).

When it comes to employment status, indicating whether a person is unemployed, employed, or retired, it is entirely not surprising to know that when people are employed, they would be more likely to donate money, when they are unemployed and receiving government welfare, they would shrink their giving budget (Pharoah and Tanner, 1997). A reasonable explanation for that phenomenon could be, perhaps only when one's basic needs (food, shelter, and clothing) have been fulfilled, giving them a peace of mind, they could start thinking of others' well-beings. However, the age of the donor also comes as a powerfully influencing determinant in the equation of giving. Previously mentioned studies suggest that employed and young people are still less gorgeous donors than unemployed and already-retired ones (Braus, 1994). As being cited earlier in this section, when people become older, they would have accumulated a larger amount of saving money, and to some extent, are more probable of wishing to do something meaningful for society.

The rest determinants being gauged in this paper would be marital status and family status. Firstly, when the marital status is taken into account, especially in Taiwan, Lee and Chang (2008) reveal the fact that married people, in general, is more inclined to donate, and even contribute much more than single individuals or unmarried couples. However, in Lee and Chang's study, the marital status was treated as a dummy variable which takes only two values: married or unmarried, while other classifications of the marital status, such as widowed, divorced, or registered partnerships, were still largely ignored; even in other papers about organ or blood donations (Boey, 2002; Rodrigue et al., 2005; Nonis et al., 2008). Therefore, to establish a possible explanation for that observation, more holistic

studies will need to be conducted in the future. Furthermore, when the family status which refers to how many children (if any) in a household is undertaken as a variable (Lee and Chang, *ibid*), it is reported that someone having at least one child or above would have a higher probability of making monetary contributions. Though this statement at first seems to be unrealistic, for when a child is born, it is supposed that the parent(s) would need to save more money to invest in the future of as well as to take the best care of their child. How can someone with kids donate more than the childfree people do? Nevertheless, researchers in the field of psychology highlight that when a person takes on a parenting role, they will undergo some notably mental changes (Antonucci and Mikus, 1988; Fedele et al., 1988; Cowan and Cowan, 2000), such as starting thinking towards building a better world for future generations, and the most practical actions for making that hope come true are donating money to and volunteering for social causes.

## **B. Extrinsic Factors**

Furthermore, there have been many types of research comprehensively scrutinizing the hidden determinants, and this time from extrinsic views, such as the government subsidize (Friedma, 1980; Warr, 1983; Payne, 1996), the output level of society (Nath and Sobhee, 2007), the domestic politics (Tingley, 2010), and the government ideology (Brecha and Potrafke, 2014). Payne (1996) raised a question whether the government support would have a crowd-out effect on private donations. To seek for the answer, Payne selected a group of 430 NPOs operating in human services field for ten years, starting from 1982. His study showed an interesting result that though government grants fluctuated during that period, the contribution size from private donors did not change much. In other words, when an NPO receives more support from public sources, existing private donors would not stop giving. Nevertheless, that school of thoughts seems to strongly oppose study conducted by Warr (1983), stating that one more dollar increase in public donation would decrease the private donation by the same amount (Friedman and Friedman, 1980; Odendahl 1990; Lingle, 1992; Laurie, 1994). A more recent research by Brooks (2000) argued that the crowding-out effect actually exists, but it will vary by other variables taken into account, such as the industries, the social causes, the geographical locations, the

targeted audience of an NPO. Until now, unfortunately, the discussion is still ongoing, the debate about the crowding-out effect is still ferocious, and a conclusion is still in the air.

Nevertheless, unlike the consequence of government grants, the results of other kinds of government intervention, for instance: controlling politics, pursuing an ideology, bring about a clearer and more visible influence on the decision-making process of donors. In general, in capitalist countries, where human rights and democracy voices are usually protected and practiced, it would be more likely to have a larger base of private donors (Brecha and Potrafke, 2014). The same conclusion also applies to nations or territories have a more stable politics (Tingley, 2010).

Referring to the question at the heading of this part, whether there is a one-size-fits-all donor profile. Though the studies done by mentioned above authors showed some common findings, in terms of age, gender, marital status, education attainment level, income, the rest possible factors which could make up a donor profile, such as empathy, social values, political and governmental conditions, are still somewhat very culture-specific. For instance, while the sense of social responsibility and awareness and knowledge of NPOs act as influencing factors in donor decision in Western countries, they play no role in impacting the donor decision-making process in Taiwan (Lee and Chang, 2007b), so though being very well studied and backed up with firm evidence, the findings in Lee and Chang's paper are still Taiwan-specific and highly likely to be representative of and applicable to donors in that country. Or in the case of gender, that factor would not make much difference during the donation-making process in egalitarian countries. There would not be a donor profile which is universal, so to avoid foreseeable failures, when fundraisers start approaching a new country or continent, they should be well aware of that fact, and do a certain amount of research about the new operations location.

## **2.3 WHICH MAKES FUNDRAISING TECHNIQUES WORK?**

Making profits is never an ultimate goal of an NPO, for all the profits gained will eventually be used to reproduce and serve the social causes that organization is following, a

sustainable profits flow will help to ensure financial stability for that NPO. However, that scenario is always easier to be said than done. When an NPO wishes to generate a large enough of money to survive, there is a mixture of a various range of components on which it will need to rely. In a study examining 165 NPOs in Switzerland, Betzler and Gmür (2016) suggested, in order for NPOs to maintain a financial success, they need to make sure that at least they have: (1) included primary donors on the executive board, (2) asked for help from specialists in consulting firms, or (3) applied appropriate fundraising techniques.

Within the scope of this research, I am mostly interested in investigating the third element by showing the omnipotent impact of an optimal choice of fundraising approaches having on an NPOs' sustainable financial status, as many pieces of research revealed that the most shared and typical fundraising approaches the NPOs applied demonstrating that an adequate choice of the right mechanisms can remarkably influence the final performance of a fundraising campaign.

In a paper published in 2001, Sargeant raised a question: "How to keep donors loyal?" (p. 177), and spent time searching for all possible answers. In fact, that question is also crucial for fundraisers of NPOs, as monetary donors bring about the primary income of NPOs (Pharoah and Tanner, 1997), and the fee of attracting new donors usually costs NPOs is much higher than retaining old donors. Additionally, the increasingly fierce competition for the limited funds between NPOs has also been a dilemma for fundraising specialists. Since the beginning of the 1990s, before the emerging waves of newly founded NPOs, a majority of fundraisers in the UK nearly have had to shift all their priorities and resources to keep the retention rate of donors at a stable level (Sargeant, *ibid*). While in the US, the situation also has been not brighter. Business funding has decreased, private donation, especially for NPOs aiding poor people, has fallen (Hoefer, 2012), and government grants for civil services have been staying still (Calmes, 2010). Thus, to deal with the shirking budgets and supports from primary donation sources and other financial difficulties, preserving donor loyalty has been seeing as the most effective and cost-efficient strategy.

However, researchers have been holding different opinions about how an effective and efficient fundraising blueprint should be defined, as the efficacy of the used techniques might vary by different characteristics of an NPO in relations to, for examples: size (small, medium, large), cause (human rights, environment, education), operating geographies (developing and/or developed countries), approaching channels (traditional and/r non-traditional) or by the scope (regional, national, global) and length of the campaigns (short-term and/or long-term). In addition, to ensure success, fundraising professionals would also need to pay attention to both the psychological and cognitive, as well as the socioeconomic and demographical hidden factors discussed in previous parts.

Particularly, in 2011, Newman and Shen also examined the cognitive effect caused by thank-you gifts to donors. There has been a long-lasting belief that small gifts, such as coffee mugs, pens, or tote bags, will help the NPOs to express their gratefulness for donors and lead to higher commitment and willingness for future donations. However, in fact, six studies conducted by those authors concluded that the gifts would actually reduce donations for charity both regarding the total quantity donated, in general, and the average amount given per individual, in specific, and that phenomenon can be reasoned by the anchoring effect analyzed previously. Because after a donor receives the thank-you gifts from NPOs, they have started expecting that the next time they give a contribution (money, or time, or effort), they would receive something in return. The first gifts aiming to express appreciation in the beginning now have become unexpected anchors and as an implicit condition for donors to make prospective future contributions. Therefore, once an NPO decides to treat their patrons with some gifts, they might have to keep that act consistently later on. Besides that, Ariely (2008) also has one more piece of advice for NPOs' personnel regarding the thank-you gifts. As the author stated, when NPOs prepare gifts for donors, they should never associate the giveaway the presents with a market value, for example: "Our thank-you gifts are a 5-euro coffee mug and 1-euro pen.", as once the market value is attached to the giveaways, people will treat them as commodities with a market mindset, and the price associated with the gifts shift it from the "social exchange

norms” the “market norms”, leading to a decrease the meaning perceived for the gifts (p. 73).

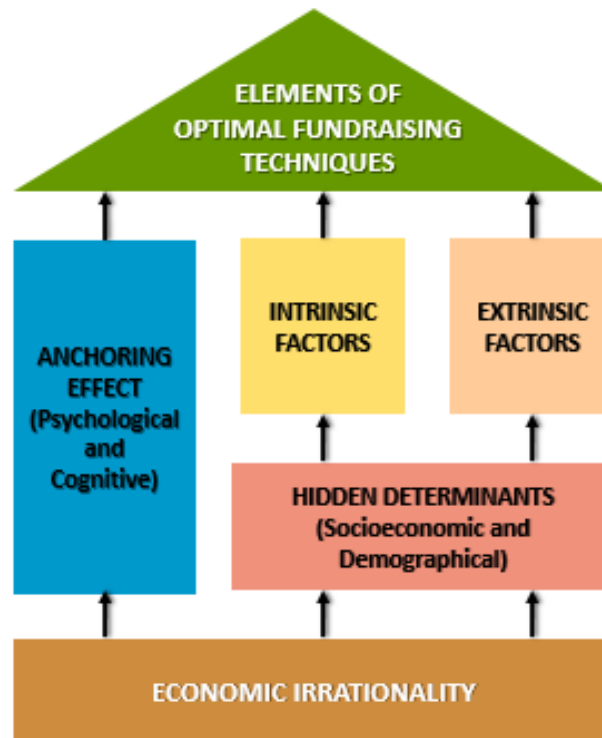
Additionally, to implement an effective and efficient fundraising campaign, the choice of social causes supported by NPOs would also matter. According to (Sargeant and Kaehler, 1998), causes related to the well-beings of humans have always been easier to trigger the empathy and attract donors. Surprisingly, funds for education and medicine were always to be attained at ease, while the same stories did not happen to needed funds to help people without a home or to alleviate poverty.

Furthermore, nowadays, with the aid of technology advances, the decisions of whether a fundraising message should be communicated to the targeted groups of audiences via traditional or non-traditional channels could also make a difference. As the traditional channels for fundraising have become more saturated, and online presence has slowly become a must for NPOs if they want to keep their patrons and even attract the new ones. Hoefer (2012) proposed a guideline to make an online visitor of an NPO's website become an online donor by the utilization of three tools: “affiliate marketing, online donations and memberships, and information products” (p. 361). Other ways to boost the profits is to involve businesses, and form strategic ventures, partnerships, associations with them. Gneez et al. (2011) run an experiment and explored that when a business firm partnered with a charity organization to sell a product to the public, with a commitment that half of the revenue will be used to serve a social cause, the revenue raised significantly higher than in the situation of the firm was not partnering with any charity and still sold the product. It is clearly a win-win situation for both sides of the cooperation: the firm and the charity.

When back referring to the question raised in the beginning: “Which makes fundraising technique work best?”, unfortunately, there would be not a one-size-fits-all resolution. However, though the detailed guideline for a smooth implement would be influenced and shaped by a various amount of variables, the core and solid components of a successful fundraising strategy, fortunately, still hold. There are some essential elements of a killing

fundraising technique which are universal and still can be applied regardless of the discrepancies in the shaping factors, and they would be more thoroughly discussed in the next section, with the empirical data from the case of Canada.

## 2.4 CONCEPTUAL FRAMEWORK



Based on the information collected from the literature review, I designed a conceptual framework which incorporates and positions this paper's ideas amongst current debates and ongoing discussions. The concept first takes the economic irrationality as an initial reasoning base. Based on both long-lasting theories and newly emerging empirical evidence, this paper advocates the idea of a predictable irrationality in human beings' behaviors and decisions. Particularly, that irrationality will be emphasized as predictable, thanks to the two main branches of causes: (1) the Psychological and Cognitive factors, especially the anchoring effect, and (2) the Socioeconomic and Demographical factors, including a various range of intrinsic and extrinsic elements.

However, all those mentioned above analyses and findings would be just theories on paper if they cannot be put into practice. The ultimate goal and the final outcomes of this paper would be a suggestion of critical elements for an optimal choice of effective fundraising techniques for different kinds of NPOs put into real-life context with a variety of benefits and constraints. Eventually, two real case studies from two specific countries will also be thoroughly conducted to further elaborate on the analyzed concepts and studies.

### **3. The Case Study of Canada**

#### **3.1 THE CASE STUDY APPROACH – RATIONALE BEHIND IT**

The case study blueprint is not a new method. It has been long-lasting employed by scholars in a vast majority of both qualitative and quantitative research, thanks to its ability to both capture the “particularly and complexity” (Stake, 1995, p. 11) of a studying situation. According to Yin (2014), this approach allows not only in-depth analyses of convoluted determinants, but still at the same time, delves into broad and multi-faceted investigations of concerned issues and contextual circumstances. As this paper aims to leverage the findings from existing literature to test whether come up with critical elements of an optimal choice for effective fundraising techniques for NPOs based on real-life contexts with a variety of constraints, from a profound but also holistic perspective, the case study methodology would be perfectly suitable for satisfying those objectives.

Additionally, besides its advantages of allowing both a depth and a breadth of analysis, there is one more practical incentive for me to opt for this method as the primary methodology for my research. As until now, from an academic viewpoint, it seems like the number of scholars supporting the rationality in human beings to some extent still notably outweigh the quantity of individuals advocating the other side. The belief in the irrationality of human beings for a long time has been often viewed as unorthodox and untraditional, so not widely hold and supported. It would not be unreasonable to perceive that the concept of irrationality is in its very early developing phase, and still in need of more



empirical evidence from field research. As Eckstein proposed (1975), though the case study approach would be normally valued at all stages of a typical “theory building process” (p. 199), it would be the most useful when it is employed at the stage when there are theories still needed to be tested and verified, as through the case study approach, either we can bolster and strengthen our claims or we falsify them. In this case, through the empirical data and real reports from the case study of Canada, a highly-developed country where charities have already achieved impressive movements, I hope to put the already discussed findings about the existing irrationality of humans from literature into test, and to evaluate how the variants of that irrationality have been presented, both implicitly and explicitly, via the underlying factors driving Canadian donors’ behaviors.

Besides, to provide the readers with a common base ground for a holistic understanding of the donation activities in Canada, I will start by with an outlook into the country’s demographic statistics and a variety of major economic factors; then followed by the map of NPOs activities and their evolution over the past decade; and the big picture of donation movements in this country by analyzing donors’ attitudes, beliefs, and behaviors towards charities; then finally, ended with suggestions for elements of a successful fundraising techniques should be paid attention to and employed by NPOs.

### **3.2 EMPIRICAL DATA**

There is a variety of reasons, as already being mentioned in the Introduction chapter, for Canada to be selected as the country of my research. Briefly, due to the abundance and trustworthiness of the data source, due to being collected independently by the third party – government agencies – but not NPOs themselves, I did not encounter the problems as gathering and qualifying data as in the cases of other countries. Additionally, as Canada has low-income inequality and high standards of living (discussed more in chapter 3); Canadians seemed to be always willing to share their budget: over the past decade, more than 80 proportion of people in the country donated at least once (Statistic Canada, 2013), so Canada appeared to be a perfect choice for me to examine the issues of giving behaviors and NPOs’ fundraising techniques.

### 3.2.1 Overview of the Country

From a geographical view, Canada is a Federal Parliamentary Democracy country belonging to the Commonwealth realm located in northern North America. Covering more than one-third of the whole continent (41%), Canada is somewhat larger than both the areas of the United States and China combined, and ranked fourth in land area (Statistics Canada, 2016). With the total number of population of 35,851,774 (World Bank, 2015), in which 16% of them is between the ages of 0 to 14; 67.9% is from 15 to 64; and 16.1% is 65 and above, the country is expecting to have an aging population in the near future (See Figure 1).

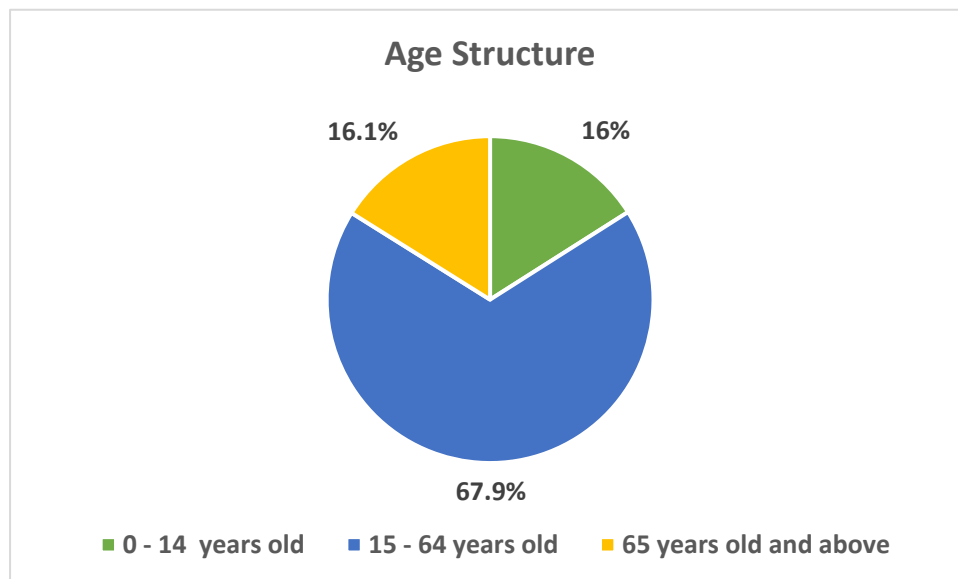


Figure 1: Age Structure. Data from: <https://data.worldbank.org>

That skewed age structure of Canadian society is said to result from multi-effects of the declining birth rate, which has been decreasing to the level of 1.61 children per family at the moment (Statistics Canada, 2017), and the raising average lifespan, which has been raising to 81.2 years over the past decades (World Bank, 2016).

When it comes to the labor force, the most recent data reflected a more favorable trend. The percentage of people participating in the labor market is quite high, accounting for 50% of the whole population (as of 2014) and are expected to stay at the same level in the next decade (World Bank, 2015), lowering the burden and pressure put on the country's welfare system, and somehow contributing to the country's well-known social stability.

In addition, the literacy of the total Canadian population is also impressive, 81.5% of young people aging from 16 to 19 reported having undertaken formal education and schooling (Patel, 2016). Besides, the percent of an adult during the working ages with a postsecondary certificate or diploma as the highest level of educational attainment was 31.6% in 2015, higher than the average percentage of all OECD countries (OECD, 2015) (See Figure 2).

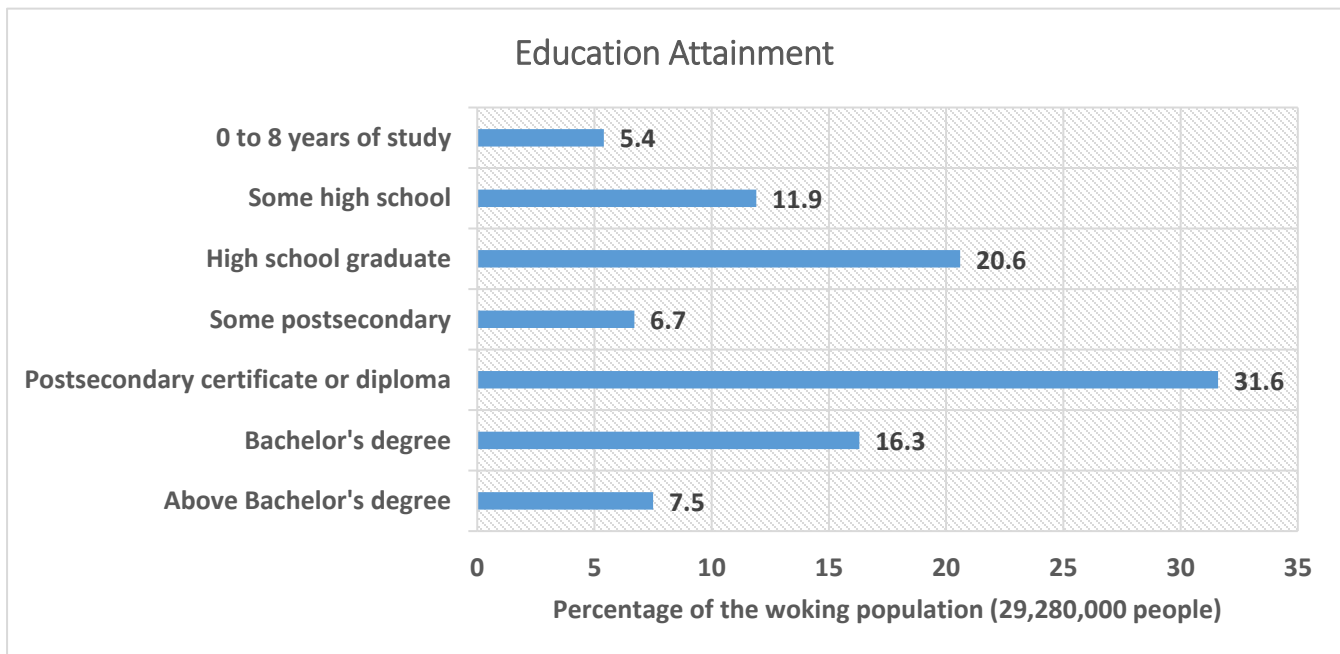


Figure 2: Education Attainment Level. Data from: <http://data.worldbank.org>

### 3.2.2 Major Economic Indicators

At the beginning of the 2000s, Canada economy was booming. The economic growth had been speedy, and was favored by investors. However, when the crisis hit, like most countries in the world, the Canadian economy underwent certain challenges and has been still on its way to recovering from the recession. In 2009, from the level of a stable growth of about 2.5% annually, the GDP growth<sup>2</sup> dropped significantly to 1% in 2008, and was negative (-2.9%) in 2009, followed by the Canadian property bubble and the Canadian banking crisis, respectively (World Bank, 2016) (See Figure 3). The similar pattern could also be found in the big picture of the unemployment rate. Followed by the recession, 2009 recorded the highest number of unemployed people over the past decade of more than 8.3% of the whole Canadian labor force failed to secure a job (See Figure 4). However, only one year later after the financial crisis, since 2010, the GDP growth has been back to be positive figures and the number of unemployed people has been declining. Especially, for two consecutive years (2010 and 2011), the growth rate showed a major peak of 3.1%; and besides, in 2015 and 2016, Canada continually achieved an unemployment rate of 6.6%, the lowest level since the international financial crisis, thanks to a notable growth in the number of both full-time and part-time working positions (Trading Economics, 2017).

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<sup>2</sup> GDP is a good indicator of the overall economic state of a country, as it can reflect the expansion and magnitude of it of an economy. However, GDP is also not a perfect measurement, for it is easy to be affected and distorted by inflation or deflation. Thus, to be more accurate in measuring the economic condition over periods of Canada, the analysis mainly focused on real GDP, the indicator which has considered the inflation rate.

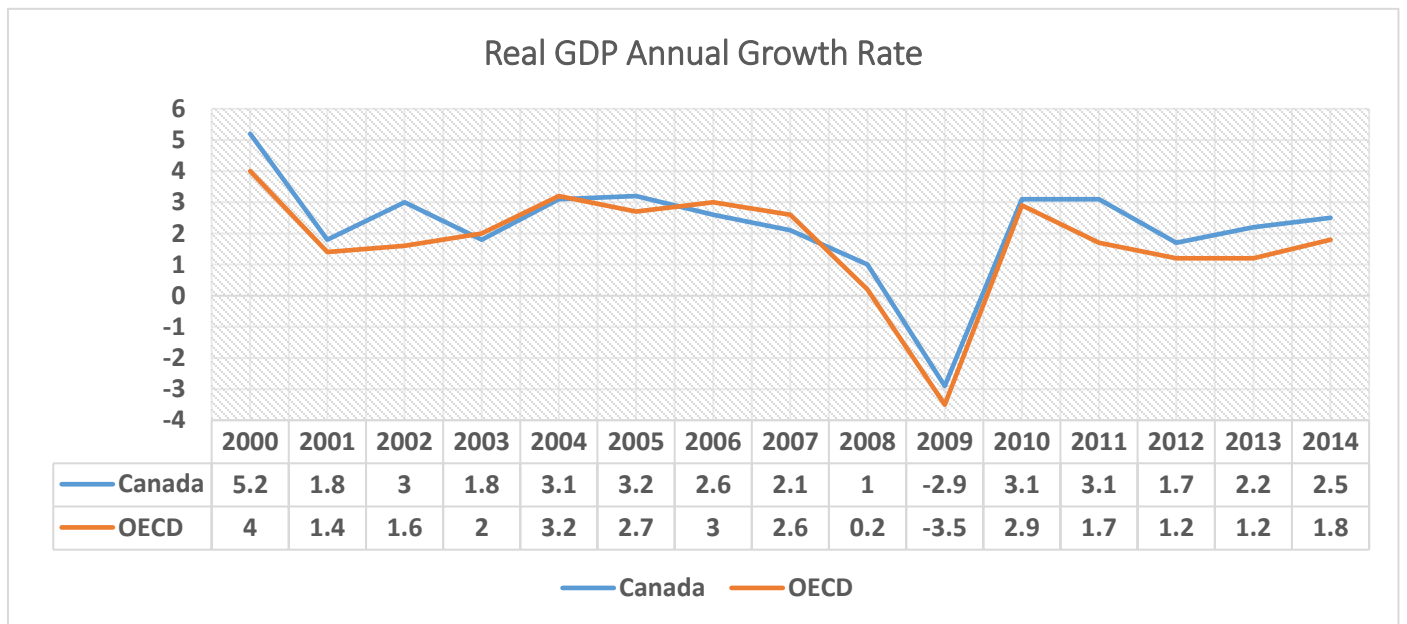


Figure 3: Real GDP Annual Growth Rate. Data from: <http://data.oecd.org>

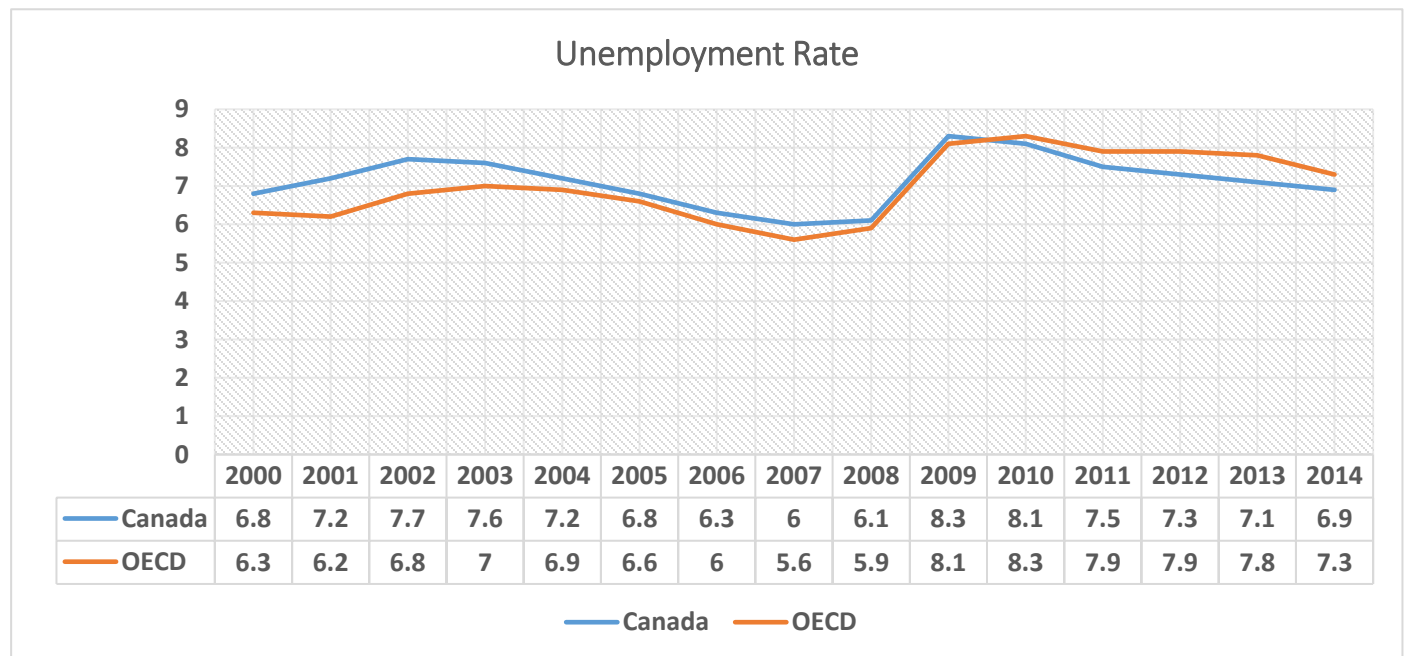


Figure 4: Unemployment Rate. Data from: <http://data.oecd.org>

Besides, over the past decades, since 2010, the inflation rate was kept at a healthy and stable rate of below 2% annually, except in 2011, the percent was 2.9% due to the

significant fluctuation in energy cost during that year (See Figure 5). At the end of 2015, Canada's GDP per capita was also estimated to be approximate \$43,248.5, much higher than the aggregated value of all OECD member states which is \$35,886.6 (World Bank, 2015). The country had been many times ranked among the fastest recovering economies in the world, and also received many positive remarks from economists worldwide. Especially, according to Benjamin Reitzes, the BMO senior economist, “This continues the string of improving Canadian economic data and suggests that the underlying economy continues to gain steam. One more piece of evidence that the Canadian economy has turned the corner” (Pedwell, 2017).

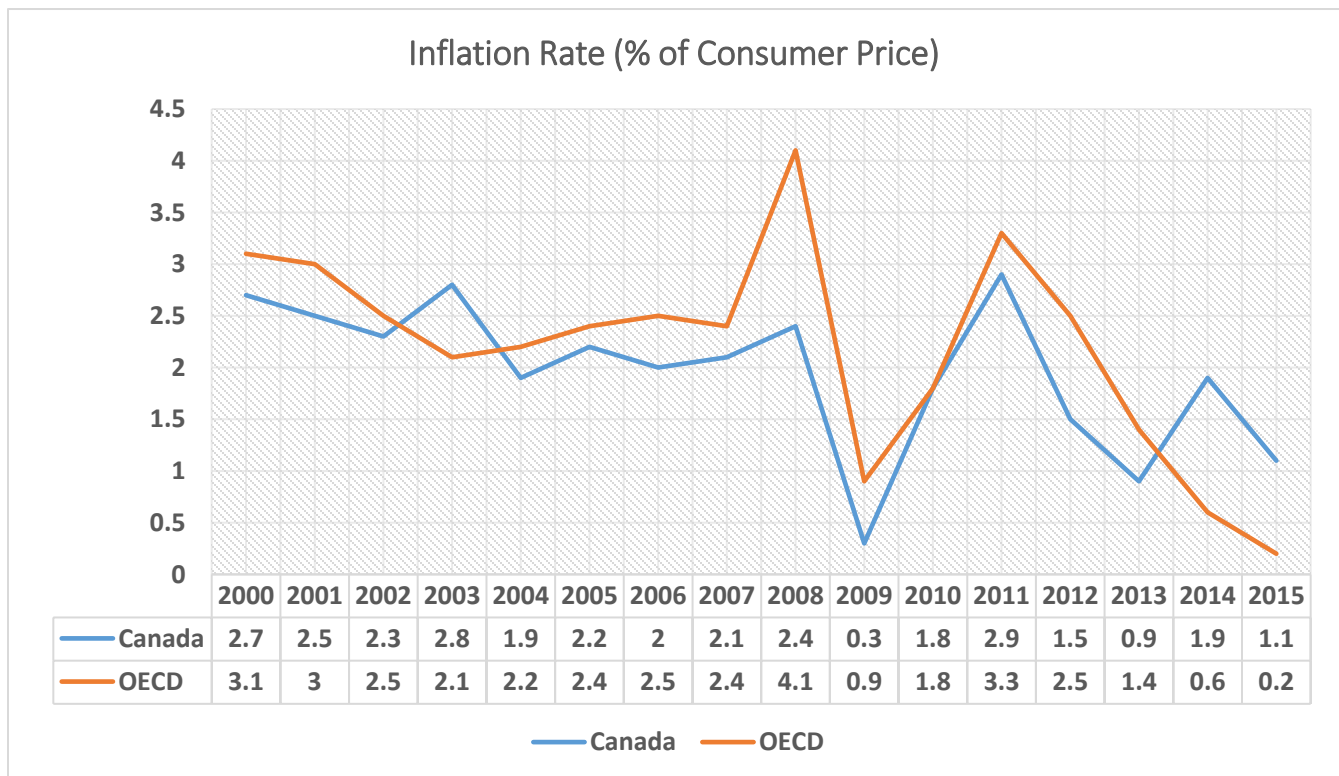


Figure 5: Inflation Rate. Data from: <http://data.oecd.org>

When it comes to the GINI coefficient, ranging from 0 (perfectly equal) to 100 (perfectly unequal), and indicating the discrepancy in income between the rich and the poor people within a nation by computing the extent to which the allocation of income among individuals or households within a country, based on the calculation of spaces between the Lorenz curve and a hypothetical line of a perfectly equal distribution, Canada was also

among the nations topping up the list. The GINI index, estimated by World Bank, in Canada was 33.68 as of 2010. Over the past 29 years, this barometer arrived at a minimum (31.15) in 1991 and a peak (33.90) 16 years later, in 2007.

Furthermore, for many consecutive years, Canada has always maintained its positions in top five countries worldwide having the best standard of livings. In 2016, it was ranked as the second-best nation worldwide to live, build a career, and raise a family, thanks to the country's strong support for freedom of speech and human rights: tolerance and diversity; work-life balance; education, health care, and welfare system (Kim, 2016; Smith, 2016). Additionally, four major cities of Canada which were Montreal, Ottawa, Vancouver, and Toronto have been placed among the top 26 cities having a remarkable high quality of life, ranked by the Business Insider and the "Quality of Living Index" (2016).

#### **4. The Detailed Map of Nonprofit Organizations and Donors in Canada**

To draw a portrait of charitable donors in Canada, this paper will rely on the data from two sources, "The Canada Survey of Giving, Volunteering and Participating" (CSGVP) survey and the "Talking About Charities" (TAC) series reports. In which, CSGVP is a national statistics project carried out by the Statistics Canada agency in an average of every three years, aiming to present the most thorough analyses for the giving of time and money to NPOs of Canadians by randomly selecting a random sample of people locating in all the regions of this country. This survey was run several times, starting 1997, then in 2000, 2004, 2007, 2010, and 2013. As 2013 was the most recent time this survey was done until now, so to form the newest big picture of Canadian donors, I will use the data from the 2013 version of CSGVP.

Besides, the TAC is another kind of national statistics survey carried out by The Muttart Foundation periodically, namely in 2000, 2004, 2006, 2008, and 2013, focusing on discovering the most present state in the attitudes and beliefs of public about charity in general, and determinants affecting charitable institutions in specific, by conducting telephone surveys to almost 4,000 Canadian adults. As being beneficial from the big size

of the sample, the survey responses are considered to be accurate within the approximate range of  $\pm 1.6\%$ , meaning 19 out of every 20 answers are trustworthy. Similarly to the case of the CSGVP survey, as the nearest time this survey was done until now is 2013, so to form the newest trends, I will use the 2013 (the fifth) version of this survey.

When it comes to the big picture of NPOs in Canada, there was an estimation of 86,000 both registered and unregistered ones operating in this country in 2013, serving a variety range of causes and civil services, such as nursing homes for the elderly; care homes for abandoned children; medical-related and rehabilitation centers; religious groups; institutions belonging to schools and universities; organizations protecting the rights of vulnerable groups (children, women, LGBTQ+, minority ethnics, handicapped, youth); and organizations fighting against poverty and helping underprivileged people; political lobby groups; institutions for environment and animals protection (The Muttart Foundation, 2013).

In general, during three years, from 2010 to 2013, Canadians gave to charitable or non-profit organizations approximately a quantity of \$12.8 billion, and 82% of the whole population was reported to have made at least a contribution to a charitable foundation or an NPO (ibid).

To sketch the general but also detailed representing images of donors in Canada, I would use the underlying factors driving from the irrationality theory and model from the previous section as the base ground, starting with the psychological and cognitive factors, then end by a variety range of demographic determinants.

## **4.1 DONATIONS DIVIDED BY THE PSYCHOLOGICAL AND COGNITIVE FACTORS**

### **4.1.1 Familiarity Level**

According to Statistics Canada (2013), charities are something very familiar to Canadians. However, according to The Muttart Foundation (2013), the familiarity level was not only simply expressed via the amount or the frequency of the money donated, but also



reflected via those more dimensions: (1) caring for stories about charities in media and public channels; (2) having a certain level of knowledge about charities and its activities in comparison to their friends and family members; (3) being involved many times with charities over the past years; and (4) being able to give valuable pieces of advice to a friend or family member who needs information about how to choose a charity or a cause to advocate.

Interestingly, the level of familiarity with social causes and charities has a tendency to raise with age, education attainment level, and household income (See Figure 6, Figure 7, and Figure 8).

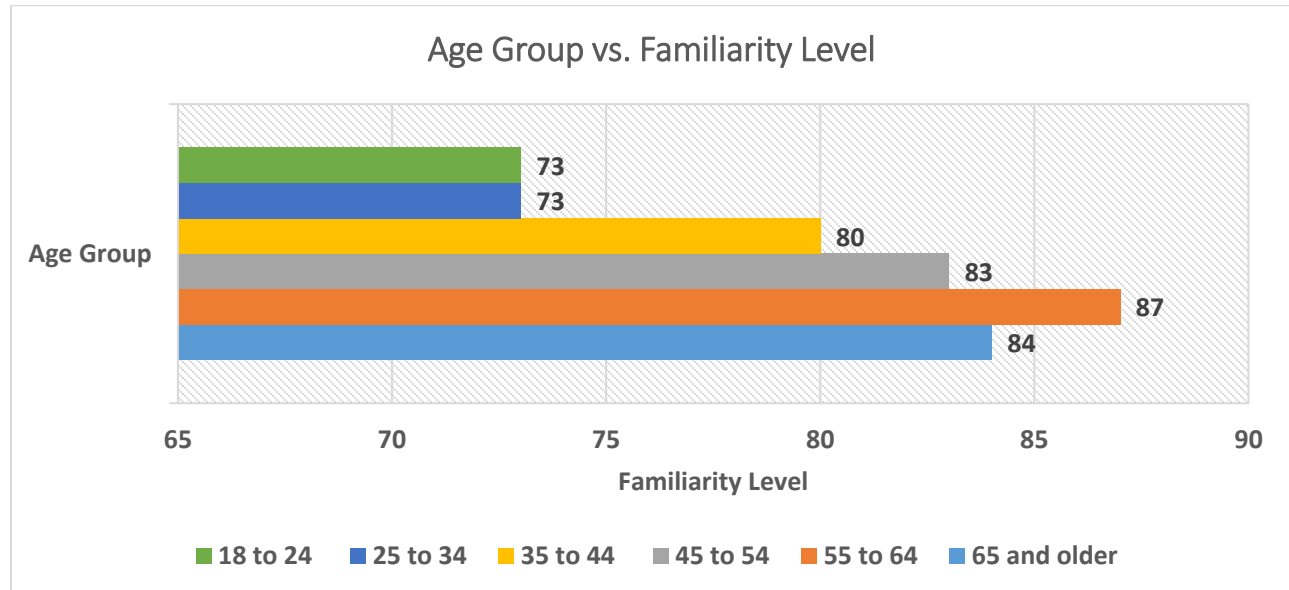


Figure 6: Age Groups versus Familiarity Level. Data from: <http://statcan.gc.ca>.

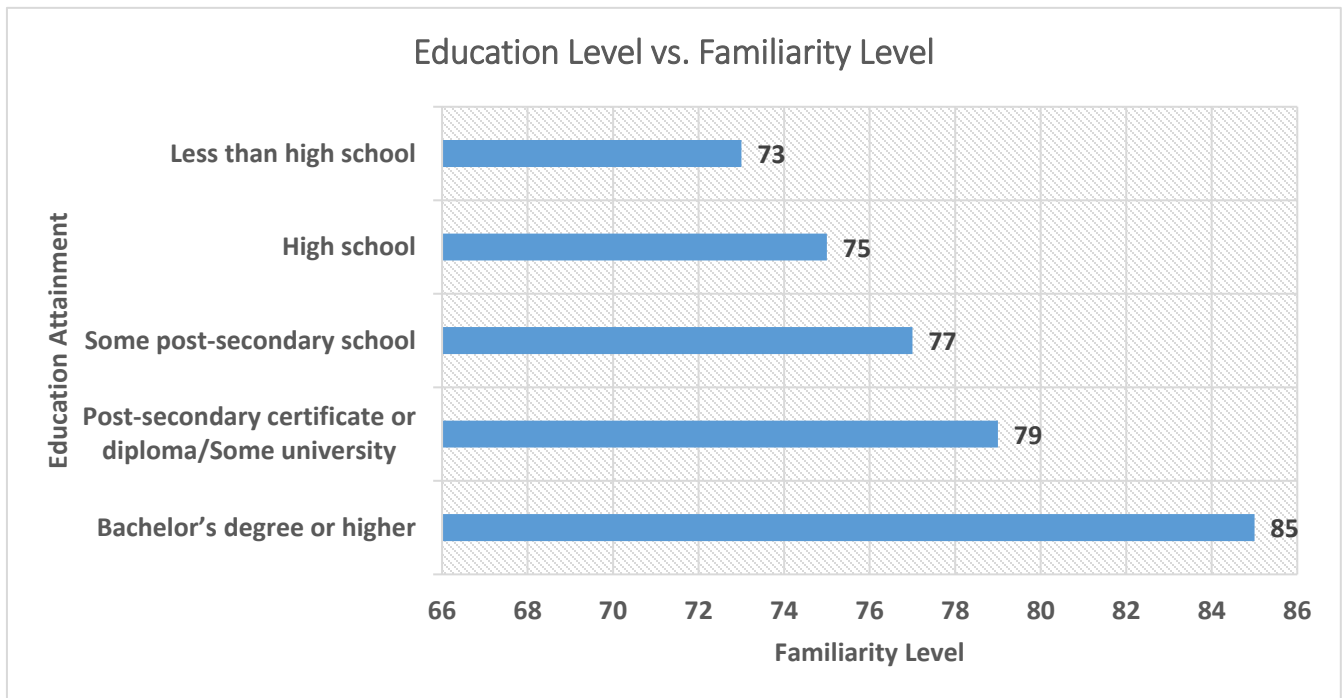


Figure 7: Education Level versus Familiarity Level. Data from: <http://statcan.gc.ca>.

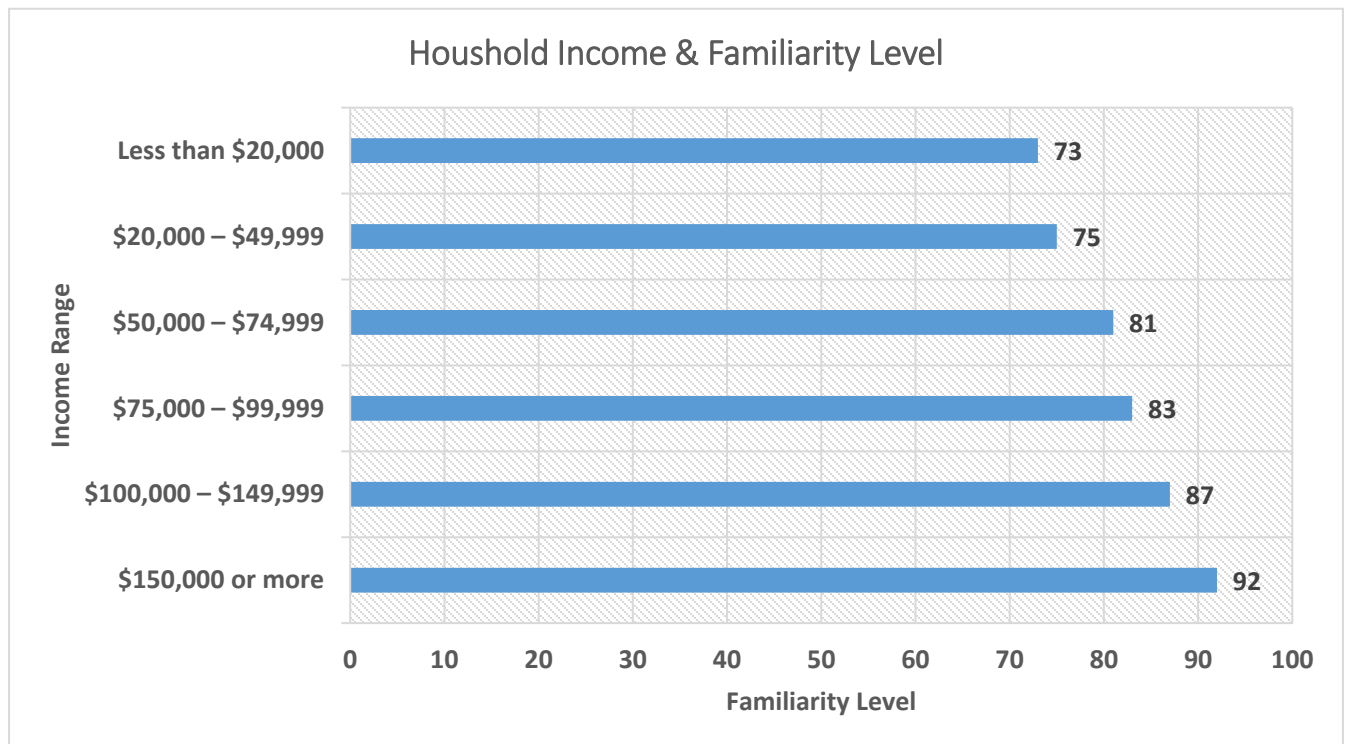


Figure 8: Household Income versus Familiarity Level. Data from: <http://statcan.gc.ca>.

These findings seemed to be very aligned with the findings in the literature, indicating that the older and/or more educated and/or more wealthy an individual becomes, the more frequent for him or her to involve and support charities and social causes. In other words, from the empirical data, it seems like to be concluded that the level of age, the level of income, and the level of education attainment would have a positive relationship with the frequency of advocacy and involvement with charities, as well as the propensity to donate.

#### **4.1.2 Public Trust**

When it comes to the public trust, the outcomes from the TAC studies since 1997 revealed that public's opinions about charity and charitable organizations held overall positive for over the past decade. 79% of Canadians placed their trust in philanthropies, and that quantity nearly had been maintained since 2000. Besides that, a remarkable majority of people in Canada perceived that charities were playing an important role in the development of society (93% of the population), helping to raise the quality of life (88%), and being reliable (ibid).

When taking into consideration the discrepancies in age, The Muttart Foundation (2013) stated that young Canadians have the highest level of trust in charities in comparison to other groups. In general, 79% of those aging from 18 to 24 years, and 77% of those from 25 to 34 years of age reported that they had "some or a lot of trusts" in the causes that organizations had been promoting. However, the positive level of trust seemed like just for the social cause(s) and stopped there. The public trust in the leaders of charity groups fluctuated remarkably when the first editions of this survey were done, and then showed a predilection of declining over the past decade. Particularly, there was only 17% of people surveyed informed that they trust charity leaders "a lot", less than 10% since the 2000 study. In general, in 2013, 71% of all Canadians surveyed say they have "some or a lot of trusts" in charity groups' leaders, in comparison to a high level of 77% in 2000, and 80% in 2004.

That declining trend in the public trust to some extent was a result of the way Canadians felt and observed the transparency level of charities. Though there was a high percentage of Canadians (70%) who thought that NPOs have been pretty transparent about how they use the money given; that indicator has also been declining from the trust point of 84% in 2000. In addition, only 34% of people in Canada trust that charities “only ask for money when they really need it” (p.47), a drop from the mark of 47% in 2000. Besides, all charity groups, in general, received pretty low ratings in relation to the methodologies they had been using to disclose the usage of their donations, the estimated and real impact of their programs, and their costs in fundraising campaigns publicly.

Furthermore, interestingly, Canadians’ trust in charities still varies notably by different types of NPOs. Medical-related organizations have the highest amount of trust (86%), followed by those that care for children (82%), then international aid charities (50%), and at the bottom are religious organizations, excluding churches and places of worship (41%).

#### **4.1.3 Discrimination between Different Causes**

Though Canadian financial donations aimed to help various causes, such as building shelters, providing resources for food banks and social services institutions to deliver their services, institutions, and hospitals to grow medical research and development projects, and political, religious and environmental groups to lobby, the type of causes that an NPO choosing to support also seemed to make a difference in attracting donations. Namely, there was \$5.2 billion sent to religious organizations, accounting for the highest percentage (41%) of all dollars given in that year. Following that, health-related sector organizations (\$1.7 billion) and social services organizations (\$1.6 billion) achieved the second and third place in terms of the amount accumulated from individual donors (See Figure 9). The religions of Canadians might be a reasonable justification for that trend. Being well-known for always embracing diversity and maintaining open policies for immigration, Canada is a country having a richness and diversification in religions, with 76.1% of the entire population following and practicing a religion, and most of them are

Christians, Muslims, and Buddhists. Impressively, 84% of Canadians answered that they usually attend religious ceremonies at churches, mosques, or temples, once a week or at least a few times a month.

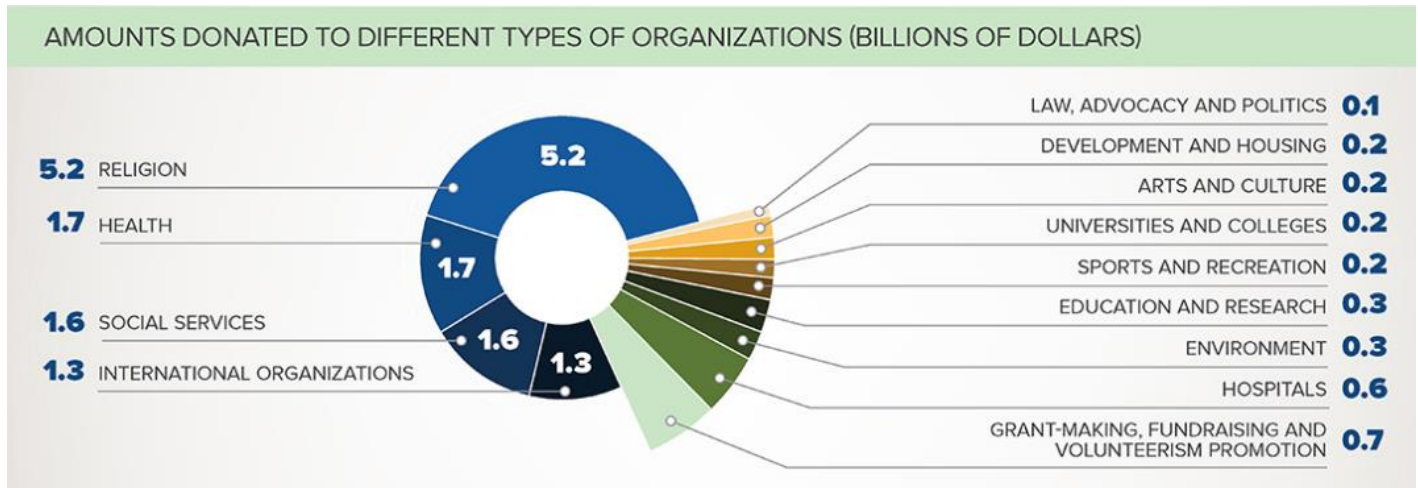


Figure 9: Amounts Donated to Different Types of Organizations. Image source: <http://www.statcan.gc.ca>

Besides, interestingly, Canadian women reported for contributing over 53% to religious organizations, while, in contrast, men donated more than women to non-religious ones, with the giving amount of \$366 and \$264, respectively. In general, 56% of all donations made to non-religious organizations came from men. However, this discrepancy in the giving statistics has nothing to do with the difference in gender roles or personal characteristics. Both genders contributed about the same average annual amount, but as women were more likely to donate to religious organizations, they contributed more than half of the total donations made to those institutions. The same explanation also applied to the case of men's dominance in donations made to non-religious ones. In fact, this finding seems to be very correlated to the outcomes of the existing literature, proving that, in the countries where gender equality has been fostered and supported, the distinction in donor behavior between male and female donors was kind of blurred (Winterich et al., 2009; Einolf, 2011).

Besides the reasons of the difference in religions and gender, the high number of donation frequency and the amount donated each time in Canada might result from other

psychological motivations. For example, many Canadian perceive that giving money to an organization is the most favored option when volunteering shows a certain amount of challenge, such as for the elderly whose health condition is a problem, or for people with busy lives and having a high level of income, making a monetary donation to a charitable or non-profit organization requires less efforts, signaling a lower opportunity cost, and is much less time-consuming than giving away their time. Besides that, self-satisfaction could also be another potential explanation. Many studies have proposed that charitable donations can improve the overall well-being, health, and mental happiness of donors (Dunn et al., 2008; Jenkinson et al., 2013), and Canadians seem to reflect the studies' findings when a majority of donors reported a higher level of mental contentment after every time they made a donation.

## **4.2 DONATIONS DIVIDED BY THE DEMOGRAPHIC FACTORS**

This section will form a variety of analyses based on six certain demographic determinants of a donor. To develop the common ground base for any comparison between the indicators, I will keep the format of each part nearly identical, which mostly examine two essential factors: (1) the willingness or propensity to contribute (reflected by the donor rate), and (2) the amount of the donation (indicated by the percentage of the total contribution value made by all groups in 2013).

More specifically, the donor rate would be calculated by the number of people in that group who had contributed at least once time to charities over the total population of that group times 100%; and the percentage of the total donation value was the result in percentage of the amount of contribution made by all individuals in a group divided by the total value in donated amount made by the whole Canadian population.

### **4.2.1 Donations by Age**

In both studies, to increase the accuracy of the findings, the survey responders were separated into seven groups: (1) 15 from 24 the years of age; (2) 25 from 34 the years of age; (3) 35 from 44 the years of age; (4) 45 from 54 the years of age; (4) 55 from 64 the years of age; (5) 65 from 74 the years of age; (6) 75 and above. Interestingly, in both studies, the discrepancy in giving behaviors of different age groups, were highly aligned with the findings of the existing literature in the previous section.

*Table 1: Donations by Age. Data from: <http://statcan.gc.ca>.*

Age Group	Indicators	Value
<b>Total, all ages</b>	Donor rate	82.4
	Average annual donations (dollars)	531
	Median annual donations (dollars)	125
	Total annual donations (dollars x 1,000,000)	12763.6
	Percentage of total donation value	100
<b>15 to 24 years</b>	Donor rate	66.7
	Average annual donations (dollars)	207
	Median annual donations (dollars)	37
	Total annual donations (dollars x 1,000,000)	626.9
	Percentage of total donation value	4.9
<b>25 to 34 years</b>	Donor rate	81.3
	Average annual donations (dollars)	364
	Median annual donations (dollars)	83
	Total annual donations (dollars x 1,000,000)	1451.1
	Percentage of total donation value	11.4
<b>35 to 44 years</b>	Donor rate	85.5
	Average annual donations (dollars)	427
	Median annual donations (dollars)	119
	Total annual donations (dollars x 1,000,000)	1705.5
	Percentage of total donation value	13.4
	Donor rate	86.7

<b>45 to 54 years</b>	Average annual donations (dollars)	664
	Median annual donations (dollars)	165
	Total annual donations (dollars x 1,000,000)	3034.3
	Percentage of total donation value	23.8
<b>55 to 64 years</b>	Donor rate	87
	Average annual donations (dollars)	681
	Median annual donations (dollars)	198
	Total annual donations (dollars x 1,000,000)	2727.9
	Percentage of total donation value	21.4
<b>65 to 74 years</b>	Donor rate	86.5
	Average annual donations (dollars)	715
	Median annual donations (dollars)	199
	Total annual donations (dollars x 1,000,000)	1857
	Percentage of total donation value	14.5
<b>75 years and older</b>	Donor rate	85.3
	Average annual donations (dollars)	726
	Median annual donations (dollars)	259
	Total annual donations (dollars x 1,000,000)	1360.8
	Percentage of total donation value	10.7



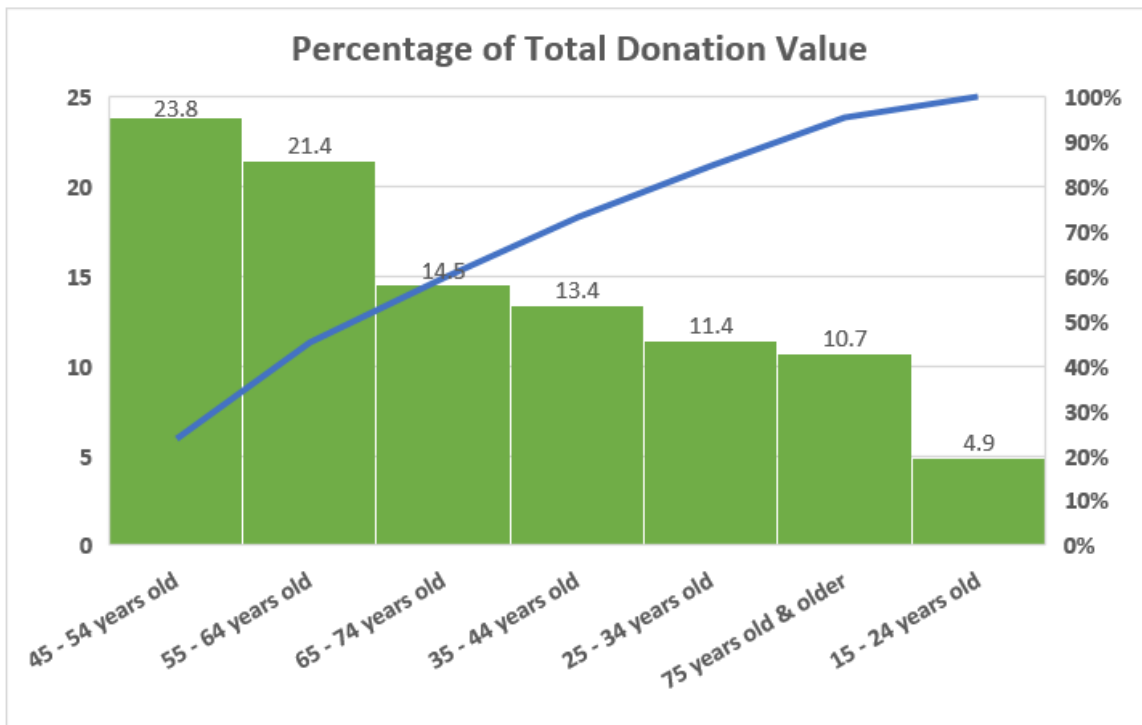


Figure 10: Percentage of Total Donation Value - by Age. Data from: <http://statcan.gc.ca>.

On average, as already being predicted in the literature, old donors would normally contribute more to the total value of the donated amount than the younger ones (Braus, 1994). Particularly, for instance, donors aging from 45 to 74, made up about 60%, more than half of all donations value made during 2013; and among them, individuals from 45 to 54 and from 55 to 64 the years of age contributed the biggest pieces to the donation “cake” ones (See Figure 10).

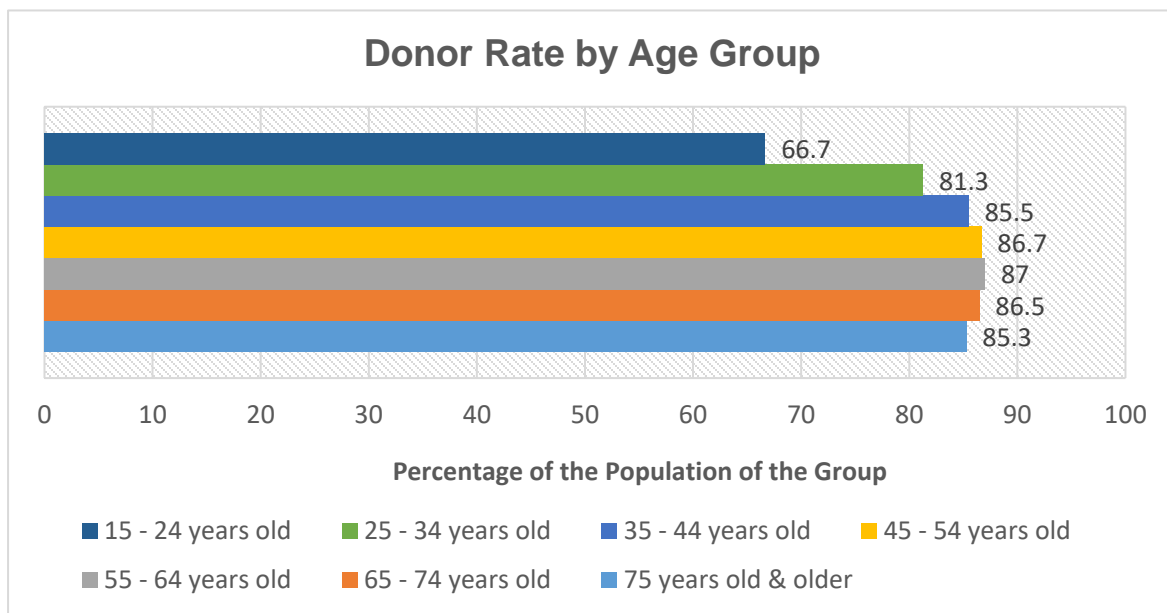


Figure 11: Donor Rate by Age Group. Data from: <http://statcan.gc.ca>.

Furthermore, the donor rate did not vary much between different age groups of donors ones (See Figure 11). Except for first group (15 – 24 years old) with only 66.7% of people in that group donated at least once, the donor rate of the rest six age groups was nearly equal and reached an impressive point of more than 80% donation rate (Statistics Canada, 2013). It seemed like when someone started being in their mid-twenty and above, the age seemed not to make any big difference when someone is thinking about whether they should share their monetary wealth for a social cause or not.

However, the gap between the median and the average donated amount of each group generally was still significant, especially for group 4 (499 dollars); group 5 (483 dollars); group 6 (516 dollars); and group 7 (467 dollars). Hence, I believe that there were outliers existing for the donation amount in each age group, meaning the smallest donated by some people was still significantly different from the biggest amount given by the others.

#### 4.2.2 Donations by Gender

Table 2: Donations by Gender. Data from: <http://statcan.gc.ca>.

Gender	Indicators	Value
<b>Both genders</b>	Donor rate	82.4
	Average annual donations (dollars)	531
	Median annual donations (dollars)	125
	Total annual donations (dollars x 1,000,000)	12763.6
	Percentage of total donation value	100
<b>Males</b>	Donor rate	80.4
	Average annual donations (dollars)	580
	Median annual donations (dollars)	125
	Total annual donations (dollars x 1,000,000)	6725.6
	Percentage of total donation value	52.7
<b>Females</b>	Donor rate	84.4
	Average annual donations (dollars)	484
	Median annual donations (dollars)	127
	Total annual donations (dollars x 1,000,000)	6038
	Percentage of total donation value	47.3

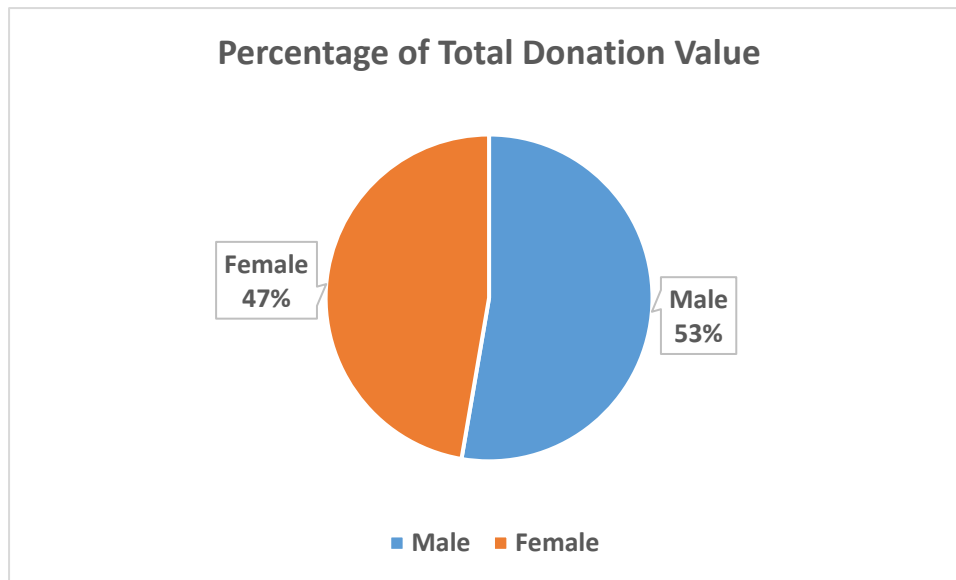


Figure 12: Percentage of Total Donation Value - by Gender.  
Data from: <http://statcan.gc.ca>.

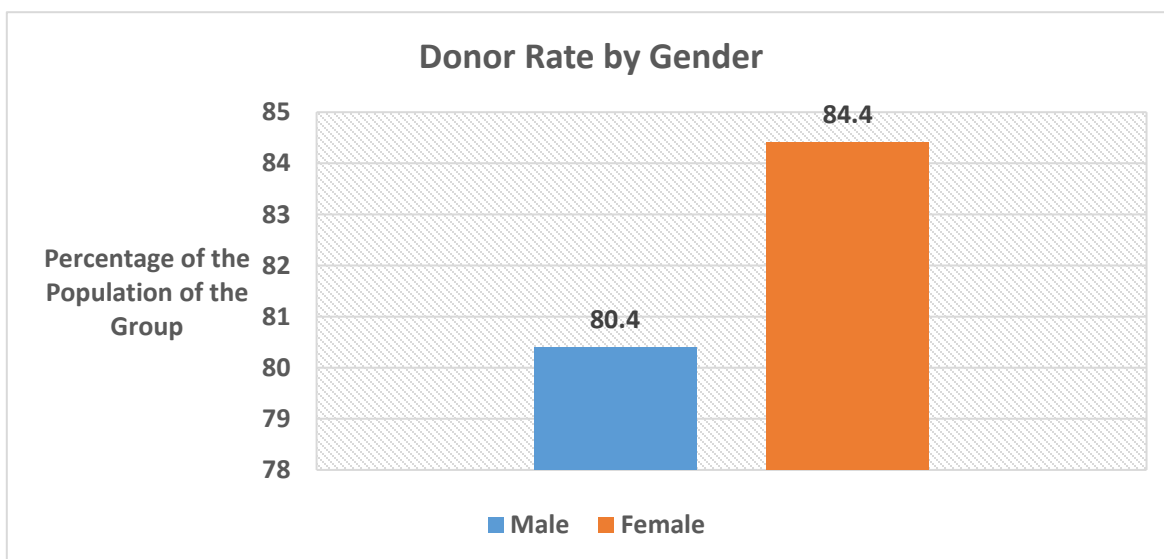


Figure 13: Donor Rate by Gender. Data from: <http://statcan.gc.ca>.

On average, more females (84.4% of the group) donated than males (80.4% of the group); however, men appeared as more a little bit more generous than their female counterparts when their contribution accounted for more than half (53%) of the total donated value in 2013, and the gap of the total donation value between two groups were 687.6 dollars (See Figure 12 and Figure 13). Nevertheless, the discrepancies between gender in their

donating behaviors are not much, which is just 6% for the proportion of total donation value, and 4% for the donor rate. The data, once again, confirmed the findings in literature about there will be usually an indifference between gender when it comes to monetary contributions, especially in countries, like Canada, where the gender equality is normally supported and promoted (Winterich et al., 2009; Einolf, 2011).

### 4.2.3 Donations by Marital Status

Table 3: Donations by Marital Status. Data from: <http://statcan.gc.ca>.

Marital Status	Indicators	Value
<b>All marital status</b>	Donor rate	82.4
	Average annual donations (dollars)	531
	Median annual donations (dollars)	125
	Total annual donations (dollars x 1,000,000)	12761.8
	Percentage of total donation value	100
<b>Married or common-law</b>	Donor rate	87.9
	Average annual donations (dollars)	595
	Median annual donations (dollars)	156
	Total annual donations (dollars x 1,000,000)	9418.1
	Percentage of total donation value	73.8
<b>Single, never married</b>	Donor rate	70.1
	Average annual donations (dollars)	331
	Median annual donations (dollars)	55
	Total annual donations (dollars x 1,000,000)	1843.3
	Percentage of total donation value	14.4
<b>Separated or divorced</b>	Donor rate	80.4
	Average annual donations (dollars)	415

	Median annual donations (dollars)	140
	Total annual donations (dollars x 1,000,000)	639.4
	Percentage of total donation value	5
<b>Widow or widower</b>	Donor rate	84.2
	Average annual donations (dollars)	765
	Median annual donations (dollars)	225
	Total annual donations (dollars x 1,000,000)	861
	Percentage of total donation value	6.7

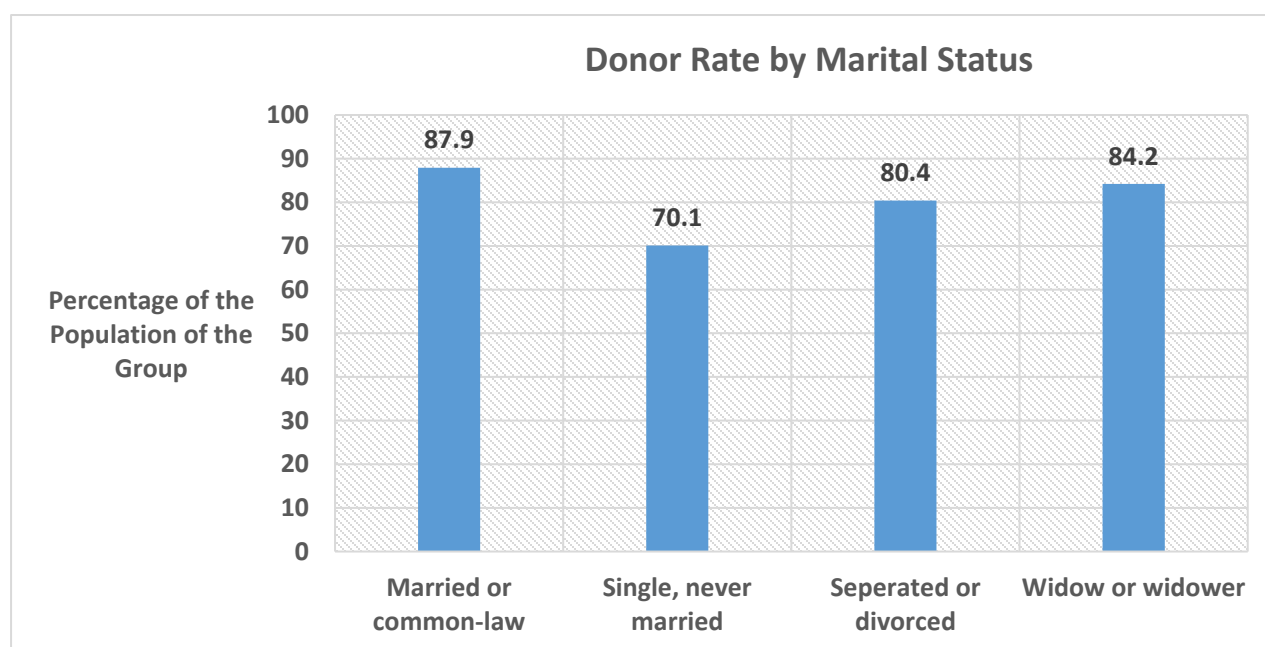


Figure 14: Donor Rate by Marital Status. Data from: <http://statcan.gc.ca>.

The donor rate of four marital statuses was highest in the group of married or living under common-law people and lowest when someone was still single, and had never been tied the knot with another one. When someone got married then being separated, divorced from their spouse, or their significant one died, their willingness to contribute was not that high (See Figure 14).

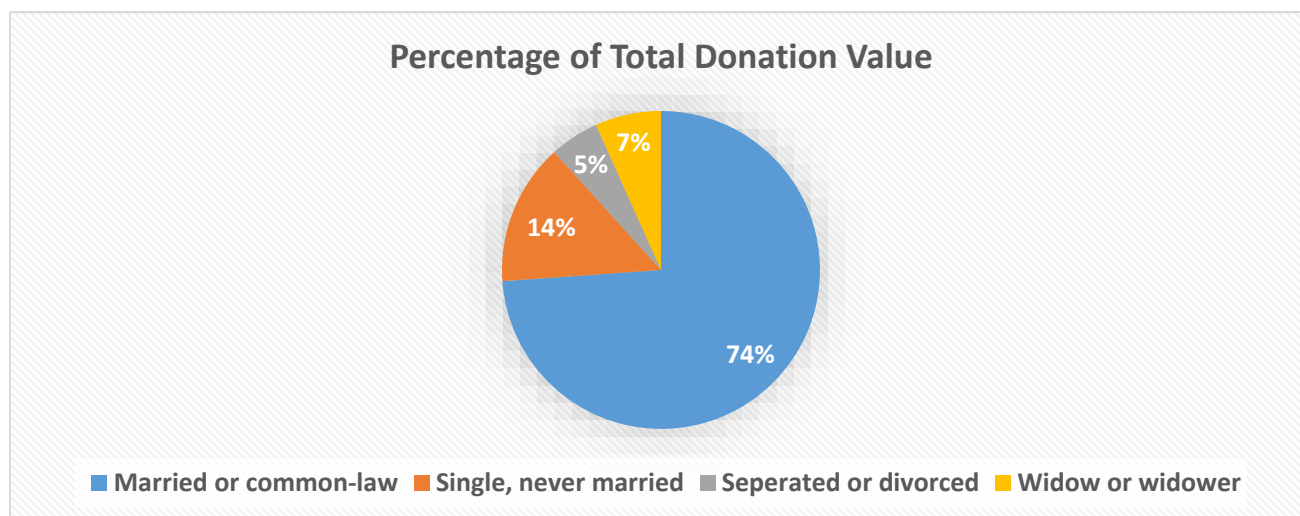


Figure 15: Percentage of Total Donation Value - by Marital Status. Data from: <http://statcan.gc.ca>.

However, when it comes to the total value, the people who were married or living under a common-law appeared to be the most wealthy and generous donors. They contributed up to nearly three-fourth of the total value in 2013, while the people going through a separation or divorce made up the smallest amount of 5%. It could be clearly seen that when someone lost the happiness or underwent a difficult stage in their private life, their generosity towards others shrunk (See Figure 15). These outcomes are somewhat similar to what has been found the literature, indicating that married people, in general, is more inclined to donate, and even contribute much more than single individuals or unmarried couples (Lee and Chang, 2008).

#### 4.2.4 Donations by Household Income

Table 4: Donations by Household Income. Data from: <http://statcan.gc.ca>.

Household Income	Indicators	Value
All income classes	Donor rate	82.4
	Average annual donations (dollars)	531
	Median annual donations (dollars)	125
	Total annual donations (dollars x 1,000,000)	12763.6

	Percentage of total donation value	100
<b>Less than \$20,000</b>	Donor rate	67.2
	Average annual donations (dollars)	318
	Median annual donations (dollars)	76
	Total annual donations (dollars x 1,000,000)	302.7
	Percentage of total donation value	2.4
<b>\$20,000 to \$39,999</b>	Donor rate	76.8
	Average annual donations (dollars)	468
	Median annual donations (dollars)	105
	Total annual donations (dollars x 1,000,000)	1335
	Percentage of total donation value	10.5
<b>\$40,000 to \$59,999</b>	Donor rate	80.2
	Average annual donations (dollars)	395
	Median annual donations (dollars)	107
	Total annual donations (dollars x 1,000,000)	1370.6
	Percentage of total donation value	10.7
<b>\$60,000 to \$79,999</b>	Donor rate	83.4
	Average annual donations (dollars)	422
	Median annual donations (dollars)	115
	Total annual donations (dollars x 1,000,000)	1398.4
	Percentage of total donation value	11
<b>\$80,000 to \$99,999</b>	Donor rate	82.5
	Average annual donations (dollars)	441
	Median annual donations (dollars)	118
	Total annual donations (dollars x 1,000,000)	1407.4
	Percentage of total donation value	11
<b>\$100,000 to \$119,999</b>	Donor rate	86
	Average annual donations (dollars)	655
	Median annual donations (dollars)	119
	Total annual donations (dollars x 1,000,000)	1695



	Percentage of total donation value	13.3
<b>\$120,000 to \$139,999</b>	Donor rate	84
	Average annual donations (dollars)	412
	Median annual donations (dollars)	149
	Total annual donations (dollars x 1,000,000)	912.7
	Percentage of total donation value	7.2
<b>\$140,000 or more</b>	Donor rate	87.6
	Average annual donations (dollars)	794
	Median annual donations (dollars)	197
	Total annual donations (dollars x 1,000,000)	4341.7
	Percentage of total donation value	34

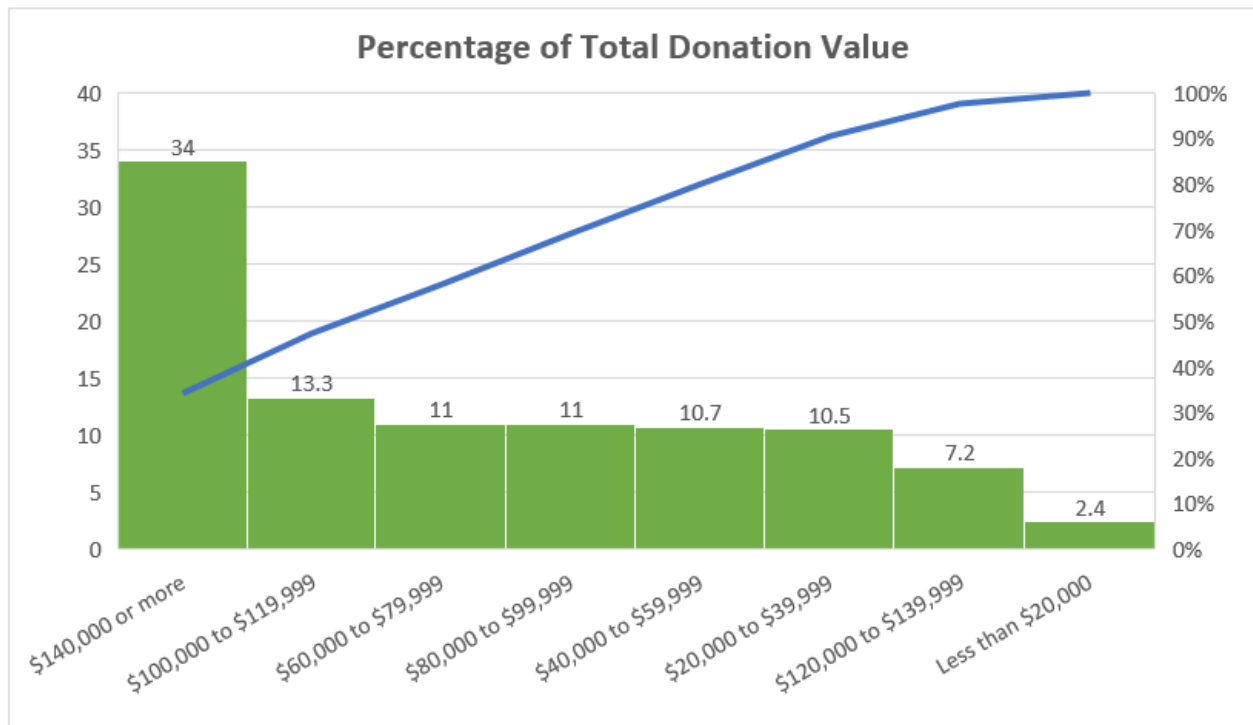


Figure 16: Percentage of Total Donation Value - by Household Income. Data from: <http://statcan.gc.ca>.

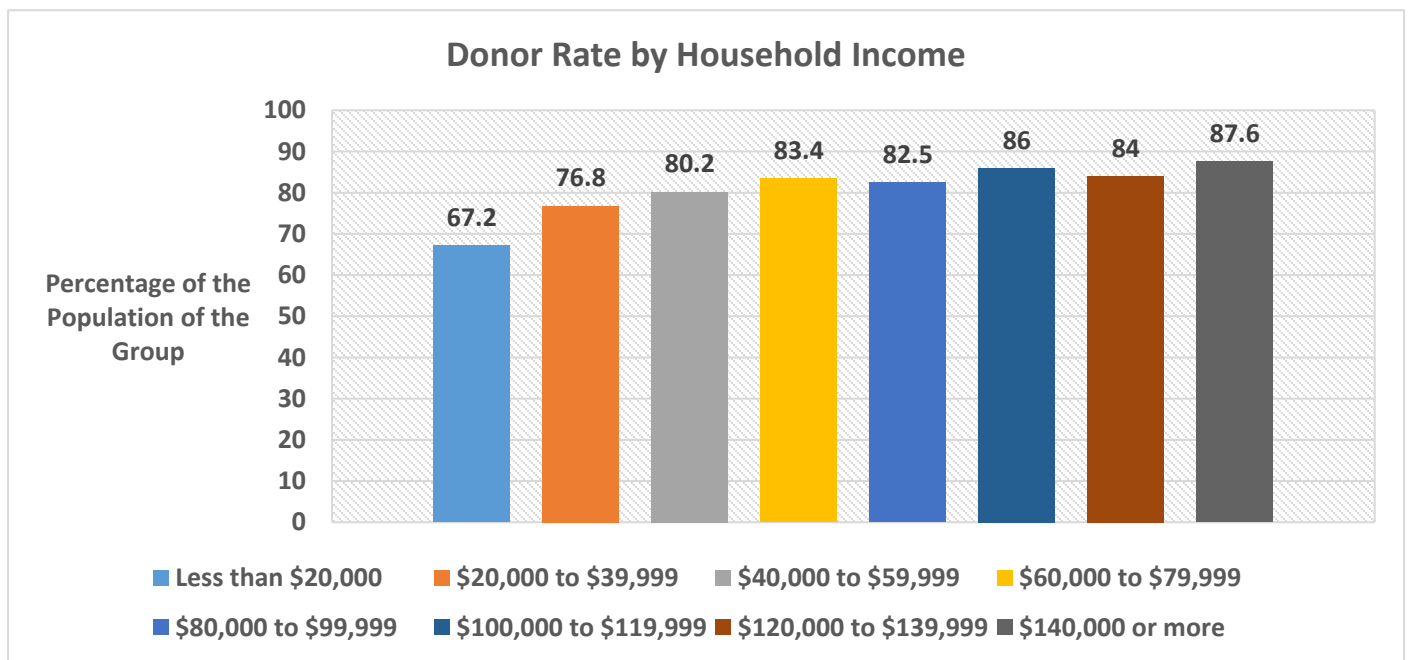


Figure 17: Donor Rate by Household Income. Data from: <http://statcan.gc.ca>.

Though there was a discrepancy in income gap, with the difference between the least wealthy and most affluent group was more than \$100,000, all income groups had a quite impressive rate of donors, more than 65% of the whole population. As expected, the wealthiest people made up the biggest parts the total donation values at the end of the year (See Figure 16 and Figure 17).

Besides that, the proportion of people making donations was also reported to be higher in regions where affluent and highly-educated residents are living. As Turcotte (2015) stated, “the amount of donations also differed throughout the country” (p.15), in which the annual monetary contribution quantity was highest in Alberta (\$863), British Columbia (\$704), and Manitoba (\$699) and lowest in New Brunswick (\$345) and Quebec (\$264). The giving amount in the top three regions was also reported to be higher than the average financial donation amount made in Canada in 2013.

#### 4.2.5 Donations by Education Level

Table 5: Donations by Education Level. Data from: <http://statcan.gc.ca>.

Education Level	Indicators	Value
<b>All education levels</b>	Donor rate	82.6
	Average annual donations (dollars)	535
	Median annual donations (dollars)	128
	Total annual donations (dollars x 1,000,000)	12131.3
	Percentage of total donation value	100
<b>Less than high school</b>	Donor rate	67.1
	Average annual donations (dollars)	321
	Median annual donations (dollars)	69
	Total annual donations (dollars x 1,000,000)	756.1
	Percentage of total donation value	6.2
<b>Graduated from high school</b>	Donor rate	79.4
	Average annual donations (dollars)	415
	Median annual donations (dollars)	99
	Total annual donations (dollars x 1,000,000)	2736.6
	Percentage of total donation value	22.6
<b>Post-secondary diploma</b>	Donor rate	87.5
	Average annual donations (dollars)	446
	Median annual donations (dollars)	122
	Total annual donations (dollars x 1,000,000)	3376.3
	Percentage of total donation value	27.8
<b>University degree</b>	Donor rate	88.2
	Average annual donations (dollars)	851
	Median annual donations (dollars)	248

	Total annual donations (dollars x 1,000,000)	5262.4
	Percentage of total donation value	43.4

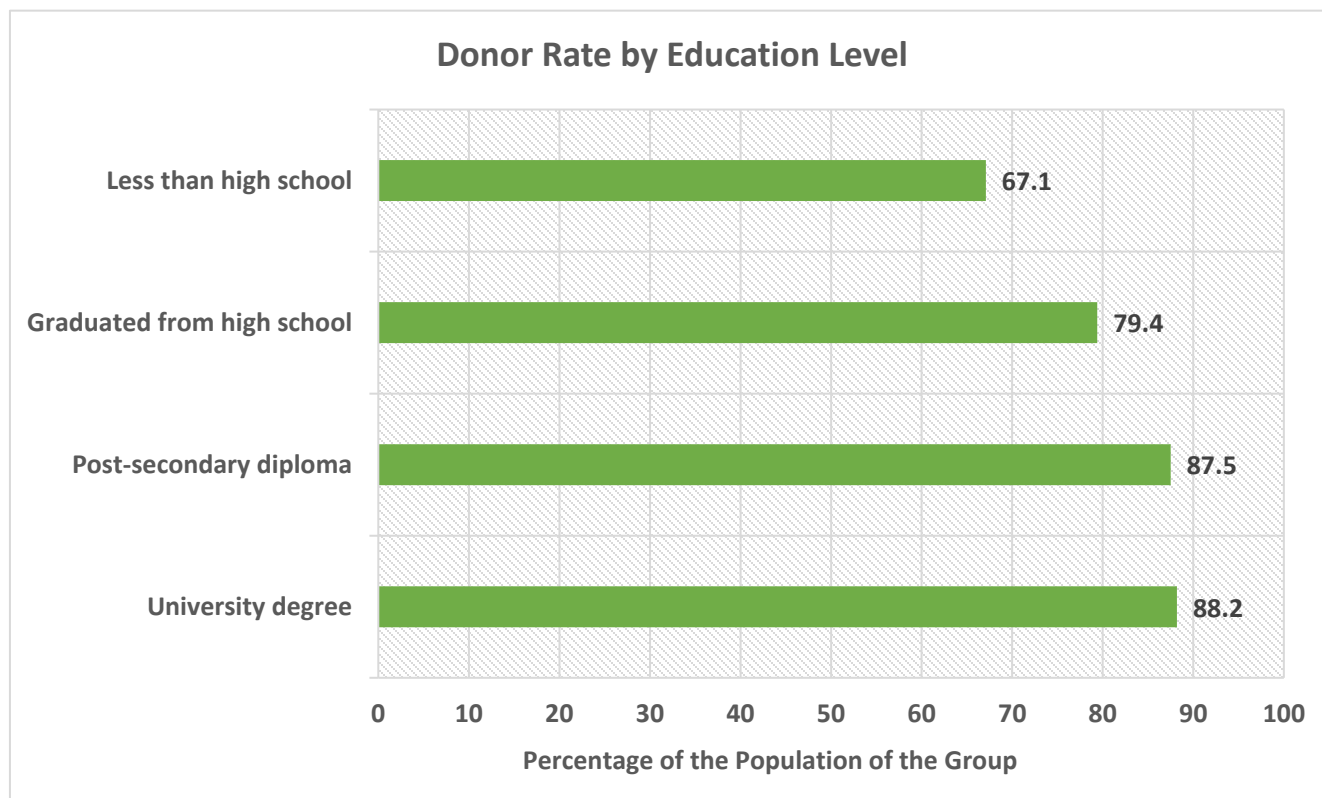


Figure 18: Donor Rate by Education Level. Data from: <http://statcan.gc.ca>.

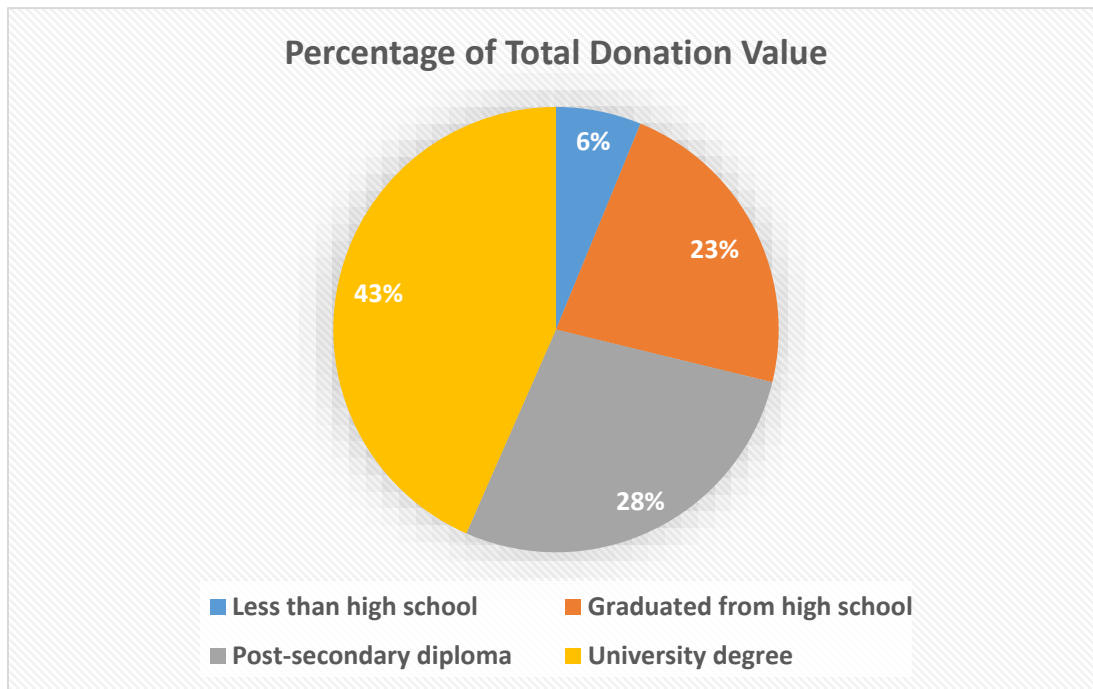


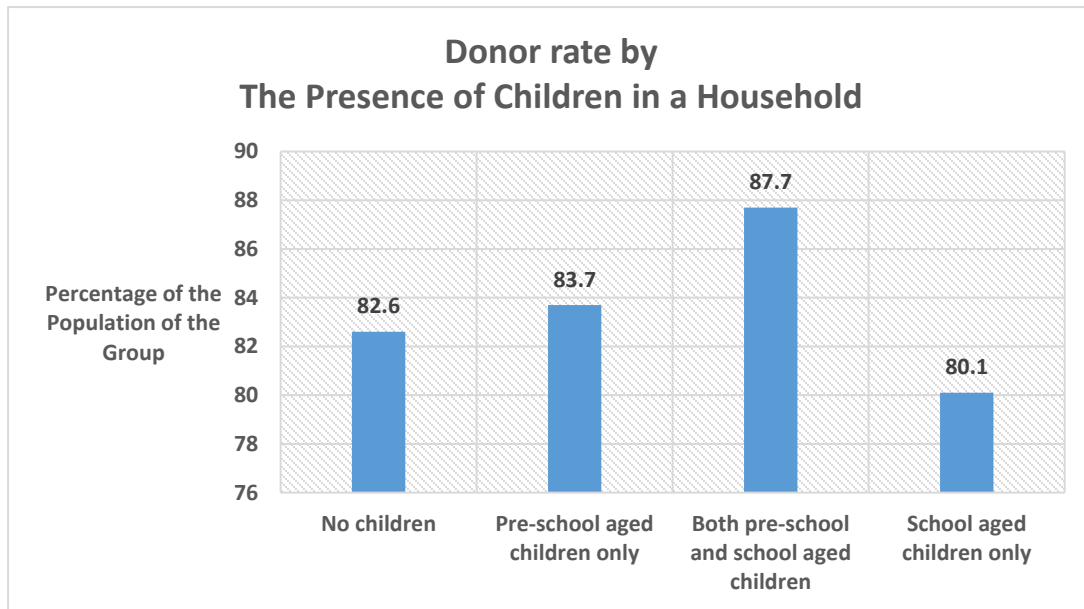
Figure 19: Percentage of Total Donation Value - by Education Level.  
Data from: <http://statcan.gc.ca>.

From Figure 18 and Figure 19, it seemed like there was a pattern that the more educated a Canadian person was, the more frequent and the higher amount that person would be willing to donate. Particularly, the university degree holders group had the highest donor rate (88.2%) as well their donations made up the biggest part (43%) of the total contribution value in 2013. Besides, this group total annual contribution was 5262.4 million dollars, more than half of the postsecondary diploma holders, the highest group with the donation quantity annually of 3376.3 million dollars. These patterns are also strongly aligned with the outcomes of many previous studies by other scholars, proposing that when a person becomes more well-cultured, he or she will be more willing to say “Yes!” to a donation request and also choose to give a larger proportion (Garner and Wagner, 1991; Jones and Posnett, 1991, Webb et al., 2000).

#### 4.2.6 Donations by the Presence of Children in a Household

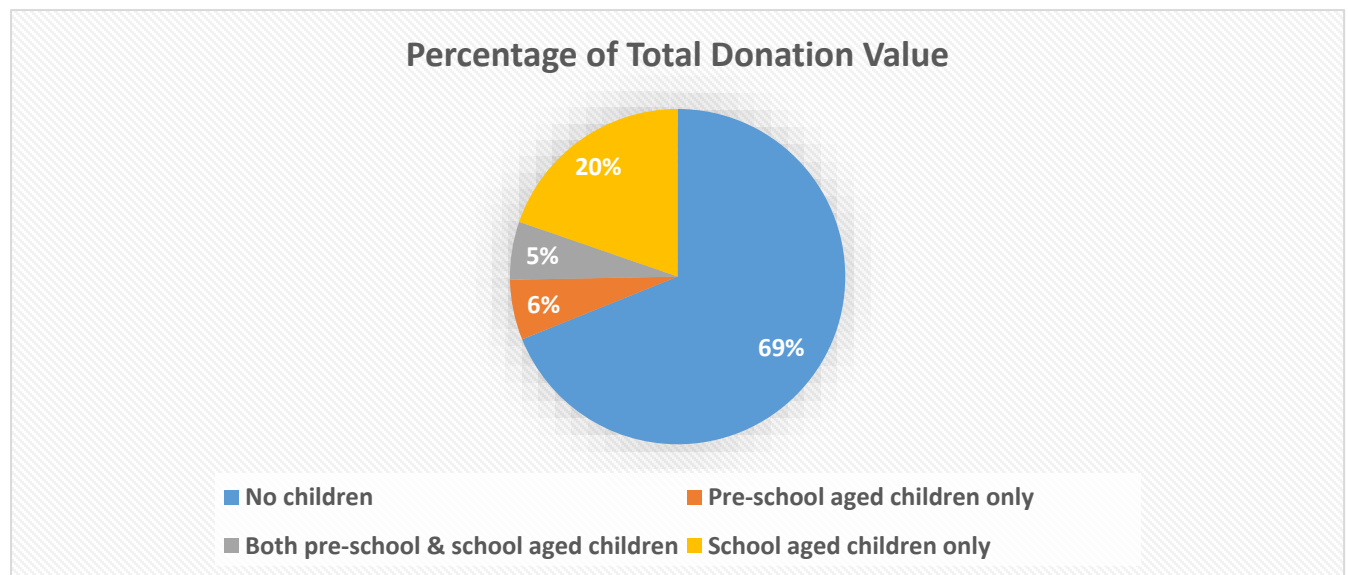
Table 6: Donations by the Presence of Children in a Household. Data from: <http://statcan.gc.ca>.

The Presence of Children in a Household		Indicators	Value
All situations in household	Donor rate		82.4
	Average annual donations (dollars)		531
	Median annual donations (dollars)		125
	Total annual donations (dollars x 1,000,000)		12763.6
	Percentage of total donation value		100
No children	Donor rate		82.6
	Average annual donations (dollars)		560
	Median annual donations (dollars)		144
	Total annual donations (dollars x 1,000,000)		8789.3
	Percentage of total donation value		68.9
Pre-school aged children only	Donor rate		83.7
	Average annual donations (dollars)		396
	Median annual donations (dollars)		109
	Total annual donations (dollars x 1,000,000)		742.6
	Percentage of total donation value		5.8
Both pre-school & school aged children	Donor rate		87.7
	Average annual donations (dollars)		520
	Median annual donations (dollars)		110
	Total annual donations (dollars x 1,000,000)		719
	Percentage of total donation value		5.6
School-aged children only	Donor rate		80.1
	Average annual donations (dollars)		493
	Median annual donations (dollars)		100
	Total annual donations (dollars x 1,000,000)		2512.7
	Percentage of total donation value		19.7



*Figure 20: Donor Rate by The Presence of Children in a Household.  
Data from: <http://statcan.gc.ca>.*

Interestingly, the households having children in both pre-school and school age topped up the list, even higher than the households having no kids and families with the kids only at the pre-school age. Besides that, the contribution rate at least once a year was the lowest. It can be assumed that, as when the children are entering the school-aged, families would need to spend more on the education cost, so the times that they donate would be lower (See Figure 20).



*Figure 21: Percentage of Total Donation Value - by The Presence of Children in a Household.  
Data from: <http://statcan.gc.ca>.*

However, it turned out that the no children group's contribution made up the highest amount with more than two third (69%) of the total given value (See Figure 21). Therefore, it can be concluded that when families are starting having two children, one at the pre-school and one at the school age, they would be more willing to donate, but seemed like with only a small amount each time. Besides, in a study conducted in the past, Lee and Chang (2008) also discovered the motif of when a family having at least one child or above, they would have a higher probability of making monetary contributions (refer to the donor rate). However, it still remains unexplained why when all kids have entered the school-aged, their willingness to contribute would be expected to drop, though just by a slightly rate, and the proportion of budget they are willing to donate would increase. More research targeting this specific demographic factor will be in need in the future.

#### **4.2.7 Donations by Employment Status**

*Table 7: Donations by the Employment Status. Data from: <http://statcan.gc.ca>.*

Employment Status	Indicators	Value
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<b>Total - labor force status</b>	Donor rate	82.6
	Average annual donations (dollars)	534
	Median annual donations (dollars)	128
	Total annual donations (dollars x 1,000,000)	12150.3
	Population distribution	100
	Percentage of total donation value	100
<b>Employed</b>	Donor rate	85.9
	Average annual donations (dollars)	552
	Median annual donations (dollars)	129
	Total annual donations (dollars x 1,000,000)	8076.5
	Population distribution	61.9
	Percentage of total donation value	66.5
<b>Unemployed</b>	Donor rate	74.7
	Average annual donations (dollars)	268
	Median annual donations (dollars)	55
	Total annual donations (dollars x 1,000,000)	220.9
	Population distribution	4
	Percentage of total donation value	1.8
<b>Not in the labor force</b>	Donor rate	77.6
	Average annual donations (dollars)	528
	Median annual donations (dollars)	137
	Total annual donations (dollars x 1,000,000)	3852.8
	Population distribution	34.1
	Percentage of total donation value	31.7

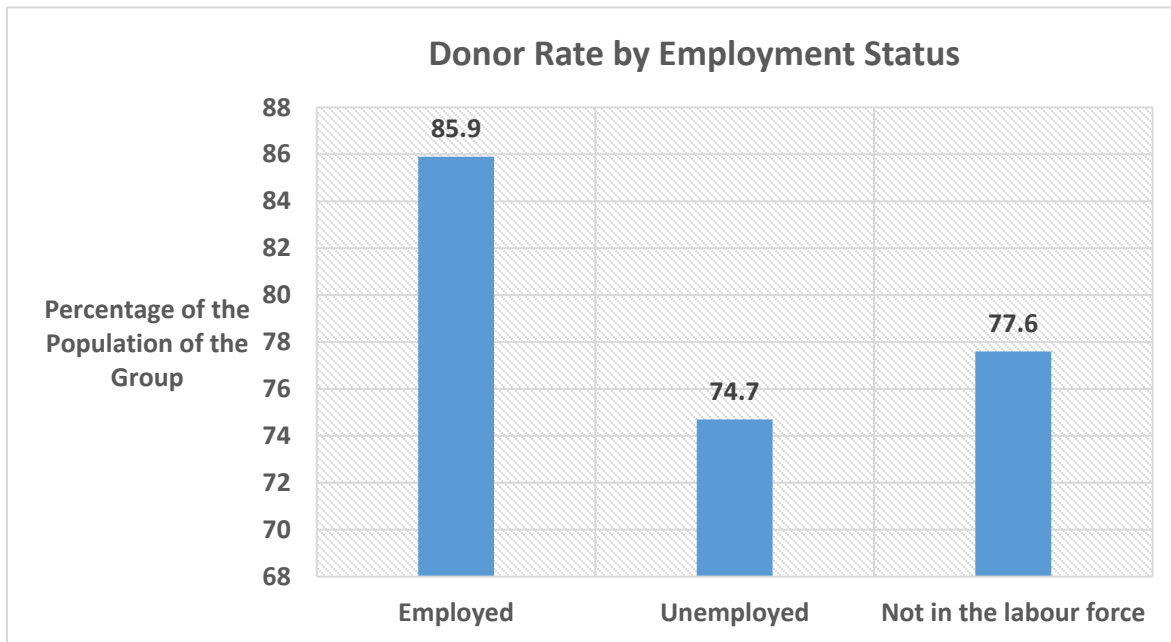


Figure 22: Donor Rate by Employment Status. Data from: <http://statcan.gc.ca>.

It seemed like when people did not have a stable and secure job; they would be the ones who were least willing to donate, with the donor rate was the lowest among three groups (74.7%). However, the proportion of donor rate by the ones who were still seeking for a job was pretty high, more than 70% of the whole group population (See Figure 22).

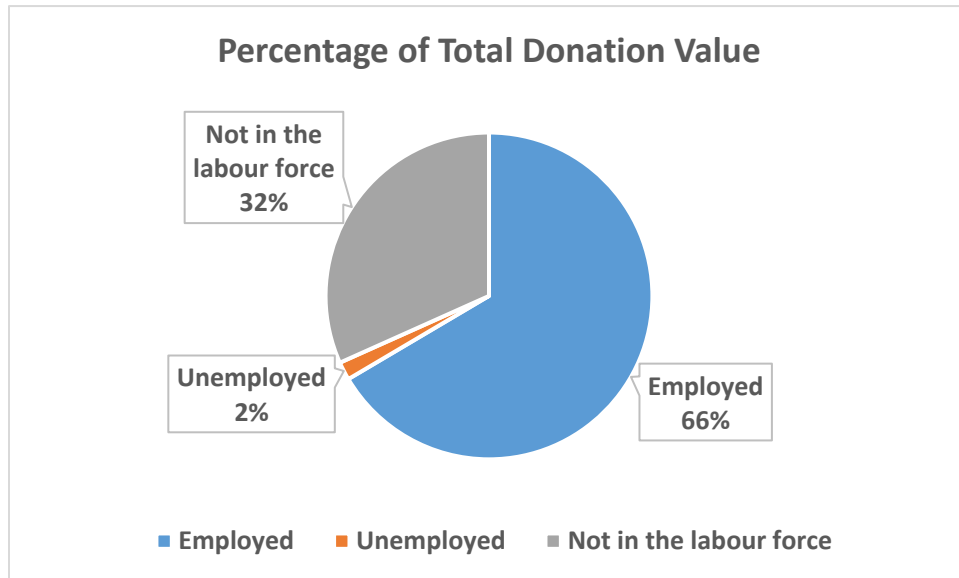


Figure 23: Percentage of Total Donation Value - by Employment Status.  
Data from: <http://statcan.gc.ca>.

In spite of the high donor rate, unsurprisingly, the amount of donated by the unemployed group was tiny, making up only 2% of the total value of all donations made during the year. Besides, it was also worth to notice that the people who did not register as job seekers also contributed about one-third of the sum amount (See Figure 23). As expected in the literature review section, people with a job will be the ones who have a higher tendency to share their budget, as perhaps only when we are free from worries of making a living, we can start to think more about others' welfare (Pharoah and Tanner, 1997).

## 5. Essential Elements of an Effective Fundraising Technique

As being referred to in the literature review section, fundraising techniques are quite local-specific and usually affected by a variety of underlying factors, such as the operating location, the type and forms of the organization, the socio-economic, psychological, and cognitive characteristics of their donors. Therefore, picking the most effective fundraising methods is usually a combination of many carefully considered aspects and factors. In this section, I would like to outline and propose fundamental elements that NPOs would

need to some extent to take into consideration, if they want to go after much more effective and less costly fundraising efforts.

## **5.1 ELEMENTS ROOTED IN THE PSYCHOLOGICAL AND COGNITIVE FACTORS**

### **5.1.1 Increasing trust and familiarity in the eyes of the public**

Familiarity and trust from the public have been playing strategic roles in making or breaking a fundraising campaign. All things being equal, those two indicators have a positive relationship with the propensity to donate, and the amount contributed from donors. Approximate 85% of people declaring they are familiar with charities, took real actions to donate to a charity in the previous years (Statistics Canada, 2013). Similarity, it was also proven that when the public opinion about an organization was less favorable, the situations were much more difficult for it to attain the advocacy and support from the public. Thus, in a more saturated market where more and more organizations joining the playground nowadays, plus a soaring cost of acquainting a new donor, increasing the visibility, but in a positive way, in public's eyes has become an existential matter to NPOs.

According to the theory of asymmetric information, there is always an imbalance of information available in the market. To address that issue, as Cuffaro and Giacinto (2015) stated, consumers of any kind of goods or services would constantly find ways to look for and gather necessary information before making any kind of decisions; and based on the availability and accessibility of sources of information, products or services could be classified into three categories: (1) search, (2) experience, or (3) credence goods. Particularly, existing and potential consumers might discover about the utility gain or loss from their decisions at the point of "prior to purchase (search), after purchase and use (experience), or not at all (credence)" (p.2). Amongst them, credence goods are the ones hardest in judging the quality level, and have two very unique characteristics: (1) Carrying the health-related or safety outcomes; (2) Consumers' demand or willingness to pay are more connected to abstract and philosophical concepts, for examples: altruism, empathy, concerns for the well-being of society and others, or goodwill (ibid). Based on that definition, donations could be treated as credence goods.

To get more donations from the public, or in other words, to boost the consumption of credence goods, nonprofits would have to increase the familiarity and trust of “customers” (in this case potential and existing donors) in this special kind of goods. Particularly, with the level of trust varied significantly by the causes supported by NPOs, such as medical-related causes with 86% of the trust from public; children-care with 82%; international aid with 50%; and religious organizations, excluding churches and places of worship with 41%; and the recent trend of declining trust from Canadians in charities (The Muttart Foundation, 2013), the challenge of attracting and maintaining public trust and familiarity has been in need of more attention from organizations.

To gain trust from donors, organizations should make the best attempts to minimize as much as possible the asymmetry of information by using more signaling and screening techniques. To send out the information to donors and raise the familiarity level, NPOs might consider investing more both in their online and offline presence. As similarly to the situations of the cheapest products would usually be avoided due to the expected high risk of potential fraud and/or low quality (Emons, 1997), an organization with a low level of presence and positive visibility would bear a higher likeliness for a small degree of credibility. As public seems to always continuously expect and look for signals to confidently place their belief on, organizations should be able to fulfill that need and give the public something in which to believe.

Besides that, addressing the asymmetry of information also plays a crucial role in the existence of all NPOs in a “market”. As in the case of the market for “lemons” of Akerlof (1970), when there is an asymmetry of information between buyers and sellers, the value of high-quality goods (peaches) would often be underrated, and the value of poor-quality goods (lemons) would often be, in contrast, overrated. At the end, when the sellers of “peaches” constantly receive undervalued and unprofitable deals from the buyers, they would eventually choose to exist, leading to a market, later on, with only “lemons” available. Then, when the buyers start perceiving the deals for “lemons” are overrated and not worth their money, they would also finally end up seeking ways to leave the trade

game, resulting in a collapse of the whole market. The “market” for charities to some extent is also similar to the scenario proposed by Akerlof in 1970. When potential and existing donors do not possess enough information about which charity is selling “peaches” (authentic NPOs) and which is selling “lemons” (fake or fraudulent NPOs), they might mistakenly donate to the fake ones, then discover of being cheated, and end up placing less trust in the NPO sector, leading to a final decision of stop donating to both. When authentic NPOs could not get enough fund to maintain their operations, they could leave the market, and also when donors end up not giving their trust to the nonprofit sector anymore, leading to a cease of the whole sector. This issue becomes more important when the number of fraudulent NPOs has been reported of having increased over the past decades (Statistics Canada, 2013).

The assumptions made above about the collapse of the “donation market” based on the outcome of the market for “lemons” of Akerlof will work, as those two markets have those very similar characteristics:

- (1) There is an *asymmetry of information*, in which no buyers can correctly evaluate the value of the product through investigation before the deal is sealed, but sellers can evaluate the value of their product before sale. Similarly, as donations are credence goods and carry abstract characteristics, donors cannot for sure qualify the value of the NPOs they are going to contribute, but the NPOs can know whether their organization is “crap” or not.
- (2) Sellers have an *incentive* to advertise their low-quality product as a higher-quality one. Fake or fraudulent NPOs apparently have motivations for luring and baiting people to donate to them, as that is the main reason they are founded, and they will make attempts to look good as much as possible.
- (3) A *reliable information disclosure system* is not available to sellers with high-quality products. Though this does not apply to all NPOs, a few authentic (and/or small) NPOs still might see themselves in this condition, especially when they do not have

a strong presence and reputation, through both online and offline channels.

(4) Buyers are generally *skeptical* about the seller's credibility and the quality of their goods. In the case of charities, this condition is even truer. As donors, theoretically, are the ones who give away their money without receiving any physical things back, it is reasonable for them to justify their carefulness with their giving behaviors.

(5) There are many *shortcomings and insufficiency* when it comes to the public quality assurances provided by sellers' or government's legislation. In Canada, the laws for penalizing scamming charities are not very strict, and "victim" donors of those organizations are still not actively protected.

### **5.1.2 Utilizing the nudge theory and the anchoring effect**

Since being suggested by the philosopher James Wilk at the end of the 1990s, the theory of nudging has been employed as a powerful tool in the toolbox of governments to change attitudes and conducts of people to address social issues such as climate change, crime, poverty, or binge drinking. The theory proposes that constructive and implied advice attempting to accomplish non-forced compliance could shape the intents, motivations, and behaviors of groups and individuals, at least as effectively – if not more effectively – than both direct direction, regulations, or enforcement and without any indirect guidance. Or in other words, instead of letting citizens opt for personal choices and actions naturally by themselves, a set of expected behaviors will be introduced towards them, and the government would guide them along the choice process, and by being monitored and navigated throughout the decision-making process, people would always end up picking among the most optimal choices from the "choice architecture" (John et al., 2009, p. 361) beneficial both for themselves and their fellows. Though the primary user of this theory has been the governments, the same principle and application could also be leveraged by individuals or organizations wishing to alter people's behaviors for better social welfare, as the goal of nudge is to create better upshots and more benefits for individuals and society as a whole (Kosters and Van der Heijden, 2015). When nudging people to donate

more, NPOs could get more sustainable and higher sources to serve their social purposes, and of course whether the fund will be used appropriately for good purposes or not, it is another story, but theoretically, that is the whole main idea of nudging.

Referring to the anchoring effect discussed in the literature review, this effect could be viewed as a perfect exemplary of nudge, indicating that once a number or any information is communicated, it will serve as a basis for the anchor for future behaviors. By establishing a set of donation options or an initial choice of donation instead of a blank space, donors will feel that they are having some sort of information about the anticipated contribution level, decreasing the asymmetry of information, and charities at the same time, can also be beneficial from a higher amount of money given. More specific examples and approaches of the anchoring effect have been examined and can be reviewed under the literature review chapter.

As Hausman and Welch (2015) proposed, by using nudging, NPOs would “push individuals to towards better choices without limiting their liberty” (p. 123). Donors would feel that they are still in control of their donation decisions. To be able to apply those concepts, NPOs could extract more of people’s contribution pockets and also get them donate in a more voluntary way.

### **5.1.3 Prioritizing for small businesses when forming partnerships**

As contradictory to what people usually think, Canadians turned out to be supportive when charities announced the ideas of engaging in business activities to generate more profits so that they could serve their causes better. Approximately nine out of 10 (86%) said that establishing a business would be a wise move for organizations to raise money that they could not attain from other sources, and 79% believed that charities should be able to make money by utilizing any form of business activity, from creating social enterprises, strategic partnerships, associations, to cooperating with the private sector for short-term projects, as long as the profits would be used to benefit the benefactors or go to the cause (Statistics Canada, 2013). Additionally, 64%, more than half, of Canadians thought that



the government should make an exception for charities, and they should be tax-free on their business earnings, considering those incomes are used to assist the cause, though the number of people felt like that dropped from the point of 71% in 2006.

Nevertheless, as there is a variety of stakeholders for charities with whom to carry their business activities, from businesses, to other charities, and even the government agencies, choosing who should be the partner(s) would also be an important question. Among all institutions and business forms surveyed, the small business achieved a higher level of trust than do charities with an impressive number of 81%; while the government agencies were trusted by fewer than half of people in Canada; and at the bottom were major corporations and multinational firms with only 41%. Therefore, it could be reasonable to think that when NPOs should consider the option of forming an association with a business to run cause-related marketing campaigns, they might think more about partnering with a small size firm to have a more advantage in trust from the public.

## **5.2 ELEMENTS ROOTED IN THE DEMOGRAPHIC FACTORS**

### **5.2.1 Establishing discriminating donation options**

Furthermore, though the ultimate goals of NPOs are not getting profits, they still need funds to operate and serve its causes. To achieve that objective, fundraisers from NPOs might consider to design a discrimination donation pricing strategy for different groups of donors, so that the “consumer” surplus, in this case, the difference between the amount a person is willing to donate and the real amount they would give in the end, could be fully exhausted and extracted.

As Isaac et al. (2015) stated, organizations could follow a method called “pay-what-you-want”, in which NPOs would declare a different minimum amount of contributed suggestion, which is “positive—but smaller than the profit-maximizing single price” (p.1) for various donor profiles. In their study, when the initial price was suggested, donors had a tendency to end up with donations much more than the recommended amount. As a result, the “pay-what-you-want” model might enhance market efficiency or generate

abnormal economic profits in comparison to the classic single price system. In addition, when an organization select one or more groups of the donor as the targeted groups, the past donor rate and percentage of contribution to the total values from the past years should be paid attention to and taken into account, so that the donation option could be customized for them, and only them.

### **5.2.2 Including the donor profile as a part of the donation forecast system**

Normally, in the field of finance, there are two common approaches for a portfolio investment manager to analyze the future returns rate of stock: the fundamental analysis and the technical analysis. Namely, the former method uses the past data and historical trading information to predict the future returns, while the latter will rely on the current data and the surrounding events happening in real time to forecast the rate. Usually, the manager will employ either one of those two blueprints to perform their tasks; however, recent studies (Lam, 2004; Bettman et al., 2009) have proposed that a combination usage of both methods will bring about an optimal level of accuracy for the prediction.

Similarly, though donation forecast is a crucial part of a fundraising process, at the moment, the contribution amount anticipated by NPOs are still usually be calculated based on their historical donations data, namely charts to detect the patterns, which could be seen as a resemblance to the technical analysis. The use of the so-called fundamental analysis, meaning incorporating analyses from real-time changes in donors' demographic factors, such as alterations in their employment status, marital status, education level, or the number of kids in their household, is still often ignored and neglected. By monitoring and focusing more on the interactive information, I believe charities can be better at forecasting the total donation amount. Besides that, when paying more attention to real-time changes in donors' lives from the discussed above demographic factors, NPOs could also sort and segment potential and existing donors into different groups based on the amount and the willingness to donate, helping to target different marketing campaigns, personalize donation messages, and set discriminating donation options (as discussed in the earlier section) for donors easier.

## 6. Conclusions

### 6.1 SUMMARY OF FINDINGS

This paper identifies and looks for the irrationality in the decision-making process of donors. Though classical economics has been rooted and made long-lasting assumptions based on rationality, in reality, that was not always the case. If human beings are entirely rational, they would systematically opt for the same options given the same conditions (*ceteris paribus*). However, in fact, both theoretical concepts and empirical evidence have suggested that people's behaviors are not all the time completely reasonable, precisely aligned with a well-defined objective, and unaffected by the stimulus of hidden motivations or emotion. Or in other words, human beings' behaviors are rational, but the rationality is still bounded and systematically errored. Apparently, it has been proved that the contextual features of the environment where decisions are born, in fact, have the power to drive people away from well-informed preferences and rational choices.

As a result, NPOs would need to pay more attention to a variety of underlying factors, which are often seen as the display and expression of the irrationality in human beings, implicitly affecting the decision-making process of donors. Notably, both the findings from the literature and the empirical data from Canada proposed and proved some relationships between psychological and cognitive and demographic forces and the willingness to donate and the components of that donation.

Firstly, similar to an American idiom: "An informed customer is always a better customer", from the findings of this paper, it seems like an informed donor is also a better donor. Namely, it has been proved that when an individual is frequently exposed or becomes more familiar with charities and social causes, he or she will be more likely to donate; and when the foundations made attempted to "brand" themselves more publicly and positively, the similar pattern could also be detected (Statistics Canada, 2013). Therefore, when there is an incompleteness of information existing in the "donation" market – *and there will always be (as no market has such perfect information)* – NPOs should try their best to

send continuous signals to both potential and existing patrons and address that asymmetry; and this is particularly vital for NPOs as donations are seen as credence goods which are hard to judge the quality level, even after the purchasing process has ended, so to get the customers (donors) come and purchase the goods (donate), charities need to continually provide customers as many as possible pieces of information about the goods. Besides that, addressing the imbalance of information will also help authentic NPOs to minimize the adverse effect – *which is inevitable* – of the “lemons” (fake or fraudulent NPOs) in the “donation market”. Furthermore, the nudge theory can also come to play a strategic role influence the choice for donations of people. By nudging people along the donation process, NPOs could get people to donate more in a voluntarily deliberate way. Additionally, to tackle the incompleteness of information and increase their own trustworthiness, charities should also consider striving for more transparency in their operating activities, such as publicly declaring executive board members’ tax profiles, auditing financial statements, releasing plans and reports in using funds.

Furthermore, a charity could expect the choice of the social causes which it is going to adopt will also affect the amount of contribution going to be received. As in the case of Canada, religion-related, healthcare services, and social services ranked as the first, second, and third in the ranking of top receivers, respectively. Furthermore, the declining trend in the public trust resulted from the way Canadians felt and observed the transparency level of charities would also need to be addressed as soon as possible. To do that, they need to improve the current “pretty low ratings” in relation to the methodologies they had been using to disclose the usage of their donations, the estimated and real impact of their programs, and their costs in fundraising campaigns publicly.

Moreover, by analyzing the underlying factors affecting contributing decisions, especially for irrationality expressed by demographic factors, NPOs could even to some extent forecast the donation rate and the propensity of the contribution. Namely, in general, amongst seven demographic factors examined, the following patterns have been detected:

- Age and the tendency to donate has a (+) *positive* relationship. Age and the amount of money donated also has a (+) *positive* correlation. On average, the older an individual gets, the more that person is willing to share their pocket at a more generous level, especially for people aging from 45 to 64.
- Gender does not create much difference when it comes to monetary contributions. Male and female are nearly indifferent in their donating behaviors.
- The tendency to donate seems to not vary by the marital status, as all marital status groups appear to be willing to open their pockets and share their prosperity. However, when it comes to the amount of money donated, the marital status does. Particularly, the people who were married or living under a common-law have been the most wealthy and generous donors.
- Household income and the tendency to donate has a (+) *positive* relationship. Household income and the amount of money donated also has a (+) *positive* correlation. As expected, the more affluent a family is, the more likely they are willing to share their prosperity.
- Education attainment level and the tendency to donate has a (+) *positive* relationship. Besides, education attainment level and the amount of money donated also has a (+) *positive* correlation. The more educated or well-aware of the charities' causes an individual is, the more that person is likely to say "Yes!" to a donation request.
- The presence of children in a household and the tendency to donate has a (+) *positive* relationship, except for families with two children at school age<sup>3</sup>. Nevertheless, the presence of children in a household and the amount of money donated also has a (–) *negative* relationship, also with the exception of two

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<sup>3</sup> It can be assumed that, when the children are entering the school age, families would need to spend more on the education and living cost, so they might be more reluctant to make any monetary donation.

school-aged children homes. As expected, when people do not have children, they will donate more lavishly.

- Employment status does create a difference when it comes to the tendency to give and the amount given. People with a job are more willing to share their budget and also make a significant proportion of the total contribution compared to unemployed people.

As being stated in the previous chapters, as the nature of NPOs is the heavy reliance on the outside support of individuals or groups who do not look for any economic profit in return to fund their operations (Henderson et al., 2002), the fundraising and donations play a more vital role for them compared to other forms of business. Furthermore, with their efficiency in filling the gap between the free market and the government and allocating resources, many scholars expect that NPOs will continue to play a strategic role in creating social capitals and developing a society for many upcoming years. In harmony with that thought, more than half of Canadians, in fact, also said that charities understand and meet their needs better than the government. Though the percentage of the people thinking like that decreased by seven percentage compared to the past five years, a majority of Canadians have still continued to place their trust in the presence of NPOs and are expected to continue in the future.

## **6.2 LIMITATIONS AND FUTURE RESEARCH**

As the statistics on donor profiles using in this paper was taken from two surveys of The Muttart Foundation and Statistics Canada, it would be good if the limitations of those surveys could be mentioned. Firstly, though the studies' requests were randomly given to a distribution of sample by different age groups and genders in each region, it was noticed that older people were more likely to respond to the survey than younger ones, and also more women answered than men. The similar pattern of those discrepancies in response rates was also recorded in the previous issues of publication of those surveys, but was to some extent ignored and less acknowledged.

Especially, for the TAC 2013 survey, when the researchers noticed that a high number of young people and men (especially, young men) could be approachable via cellphones, they made attempts to include the telephone survey as one of the sample design methods, so that more young people and men could be reachable, leading to a more widely representing sample. However, in the end, although the cellphone numbers were taken into consideration, it seemed like to some extent there was still an under-representation of younger Canadians and men in the final results, calling for a better-improved weighting strategy in the future.

Besides that, though most studies in the field of donations in Canada in general, and the two cited surveys in specific, till the moment could show the interactions and the relationships between different variables of the surveys, such as the demographic characteristics of the donors, and their attitudes, trust, beliefs, and behaviors towards charities, the current study designs still did not allow them to spot and diagnose the causes of those phenomena, like pointing out and explaining which factor drives or causes a given pattern of response.

Furthermore, as I had to use mostly secondary research to increase my research's coverage, I perceive this as a strength but also a weakness of my approach. Though with the abundant sources of secondary data, I could cover a large area and somewhat generalize patterns and phenomena at a national level; most of the data were not represented in harmony with the indicators I would like to test. Similar to other studies mainly relied on the secondary data and sources, the availability and accessibility of the data sources still stand out as the biggest challenges.

Lastly, in terms of future research, as already being mentioned the previous chapters, more studies examining the relationship between the tendency to donate and the donation components versus demographic factors will need to be further investigated by using more comprehensive data sets to enable stronger statistics techniques to be performed such as the multivariate approach (regression analysis) and unit root test.

Moreover, as at the moment, most of donation forecast tools are just designed and made available for donors of blood and organ, but not monetary donations. Hence, in the future, more and better instruments which can forecast the monetary contributions will be remarkably in demand. I believe the hidden psychological and cognitive plus demographic determinants discussed in this paper could serve as good starting points for stronger tools for NPOs to forecast the frequency, propensity, and magnitude of their patrons' donations.



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